UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-	K

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ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 X

For the fiscal year ended December 31, 2019

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

> For the transition period from Commission file number 000-27823

Spanish Broadcasting System, Inc.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction or incorporation of organization)

13-3827791 (I.R.S. Employer Identification No.)

7007 NW 77th Avenue Miami, Florida 33166 (Address of principal executive offices) (Zip Code) Registrant's telephone number, including area code: (305) 441-6901 Securities registered pursuant to Section 12(b) of the Act: None

	Securities re	gistered pursuant to section 12(g) of the	Act.	
	each class value \$0.0001 per share	Trading Symbol(s) SBSAA	Name of each exchange on which register OTCQB Venture Market	ed
Indicate by check mark if the	e registrant is a well-known seasone	ed issuer, as defined in Rule 405 of the Securi	ties Act. Yes □ No ⊠	
Indicate by check mark if the	e registrant is not required to file rep	ports pursuant to Section 13 or Section 15(d)	of the Exchange Act Yes □ No 区	
			(d) of the Securities Exchange Act of 1934 during the subject to such filing requirements for the past	
	2	ctronically every Interactive Data File require thorter period that the registrant was required	ed to be submitted pursuant to Rule 405 of Regulation Sto submit such files). Yes \boxtimes No \square	-T
			ed filer, smaller reporting company, or an emerging grov rging growth company" in Rule 12b-2 of the Exchange	
Large accelerated filer			Accelerated filer	
Non-accelerated filer	\boxtimes		Small reporting company	X
Emerging growth company				
If an emerging growth comp financial accounting standards provi	3 7	2	transition period for complying with any new or revised	

As of June 28, 2019, the last business day of the registrant's most recently completed second fiscal quarter, the registrant had 4,241,991 shares of Class A common stock, par value \$0.0001 per share ("Class A common stock"), and 2,340,353 shares of Class B common stock, par value \$0.0001 per share ("Class B common stock"), outstanding. As of June 28, 2019, the aggregate market value of the Class A common stock held by nonaffiliates of the registrant was approximately \$0.7 million and the aggregate market value of the Class B common stock held by nonaffiliates of the registrant was approximately \$60. We calculated the aggregate market value based upon the closing price of our Class A common stock reported on the OTCQB Venture Market on June 28, 2019 (the exchange on which our Class A common stock then traded) of \$0.17 per share, and we have assumed that our shares of Class B common stock would trade at the same price per share as our shares of Class A common stock. (For purposes of this paragraph, directors and executive officers have been deemed affiliates.)

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

As of March 23, 2020, 4,241,991 shares of Class A common stock, 2,340,353 shares of Class B common stock and 380,000 shares of Series C convertible preferred stock, \$0.01 par value per share ("Series C preferred stock"), which are convertible into 760,000 shares of Class A common stock, were outstanding.

Documents Incorporated by Reference:

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from the registrant's definitive proxy statement (the "Proxy Statement") to be filed pursuant to Regulation 14A with respect to the registrant's 2020 annual meeting of stockholders. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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Special Note Regarding Forward-Looking Statements

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

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

"Forward-looking" statements, as such term is defined by the Securities Exchange Commission (the "Commission") in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, our recapitalization and restructuring efforts, the impact of widespread health developments, such as the novel coronavirus, and the governmental, commercial, consumer and other responses thereto, 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 "Item 1A. Risk Factors" in this Annual Report. 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.

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

PART I

Item 1. Business

Our Company

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

We are a leading Spanish-language media and entertainment company with radio and/or television stations in some of the top U.S. Hispanic markets, including Puerto Rico. Our owned and operated radio stations serve markets representing approximately 33% of the U.S. Hispanic population, and, during 2019, our television operations served markets representing over 3.1 million Hispanic households. We produce and distribute Spanish-language content, including radio programs, television shows, news, music and live entertainment through our radio stations and, during 2019, our television group, MegaTV, which produces over 65 hours of original programming per week. MegaTV broadcasted via our owned and operated stations in South Florida, Houston, and Puerto Rico and through programming and/or distribution agreements with other stations, as well as various cable and satellite providers. On March 23, 2020, we sold our FCC license and certain assets related to the transmission of our KTBU-DT signal in Houston, Texas.

We operate WSKQ in New York City which is the top Spanish-language radio station in the United States based on the average number of listeners per quarter-hour. WSKQ delivered the highest listenership among all Spanish-language radio stations in the United States, according to the 2019 Hispanic Fact Pack. Our other radio stations are located in Los Angeles, New York, Puerto Rico, Miami, Chicago and San Francisco. In addition to our owned and operated radio stations, we operate AIRE Radio Networks, with over 275 affiliate radio stations serving 87 of the top 100 U.S. Hispanic markets, including 47 of the top 50 Hispanic markets. AIRE Radio Networks currently covers 95% of the coveted U.S. Hispanic market and reaches over 15 million listeners in an average week.

As part of our operating business, we also maintain multiple Spanish and bilingual 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, simultaneous live streams of our radio stations. It includes hundreds of curated playlists and has tools that enable users to personalize their mobile radio streaming experience. The video capabilities of our mobile app significantly enhance the audience's engagement level and increase 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.

Our Strategy

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

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

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

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

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

Hispanic Market Opportunity

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

- *Hispanic Population Growth*. Between the years 2010 and 2019, the U.S. Hispanic population increased by 21% compared to 4% for the non-Hispanic population. In 2019, Hispanics comprised 18.6% of the U.S. population and more than one out of every six individuals living in the United States was of Hispanic origin, according to the Selig Center for Economic Growth, *The Multicultural Economy*, 2019. The U.S. Hispanic population grew at more than seven times the rate of the general population from 2000 to 2015 and is projected to grow to 31% of the U.S. population by 2060, according to the U.S. Census Bureau. Hispanics have accounted for more than half of the U.S. population growth since the 2010 Census.
- Growth in Hispanic Buying Power. The U.S. Hispanic population accounted for \$1.7 trillion of total buying power in 2019, up from \$1.0 trillion in 2010 and is estimated to grow to \$2.3 trillion by 2024, according to the Selig Center for Economic Growth, The Multicultural Economy, 2019. U.S. Hispanic buying power accounted for 10.8% of all U.S. buying power in 2019. By 2024, Hispanics will account for 11.6% of total U.S. buying power.
- Spanish-Language Advertising Spending. Advertisers spent an estimated \$9.4 billion on Spanish-language media advertising in 2018, according to the 2019 Hispanic Fact Pack. This amount has grown by 38% since 2010 when Hispanic advertising expenditures totaled \$6.8 billion according to 2011 Hispanic Fact Pack. As advertisers increasingly recognize the buying power of the U.S. Hispanic population, especially in markets with high Hispanic concentration, we believe that Spanish-language advertising will continue to increase.

The above market opportunity information is based on data provided by the 2019 Hispanic Fact Pack, the BIA/Kelsey's Investing in Television/Radio Market Report 2019, 4th edition and the Selig Center for Economic Growth publication, *The Multicultural Economy*, 2019.

Our Strengths

Strong Presence in the Largest U.S. Hispanic Markets. We operate in six of the eight largest U.S. Hispanic markets: Los Angeles, New York, Miami, San Francisco, Chicago and Houston, as well as also operating in Puerto Rico. We operate three of the top six Spanish-language radio stations in the United States. Our New York station (WSKQ-FM) ranks first among Spanish-language radio stations in terms of highest listenership. The New York and Los Angeles markets, where we consistently have a top-three-rated Spanish-language radio station, have the largest and second largest U.S. Hispanic populations, respectively. Los Angeles and New York are also, respectively, the largest and second largest overall radio markets in the United States as measured by advertising revenue. In addition, MegaTV serves markets representing over 3.1 million Hispanic households.

Strong Portfolio of Branded Media Franchises. Because of our history with Hispanic-focused media, we believe that we have been able to develop strong relationships with the Hispanic audiences in our markets and create strong brand loyalty. Our listeners enjoy music from popular and emerging artists as well as updated local information on weather, news and general entertainment. Our live concerts and events provide our advertisers additional opportunities to reach their target audiences as well as allow us to cross-promote our brands and diversify our revenue base.

Diversification across Media Platforms, Geography and Customers. Our programming reaches audiences across U.S. Hispanic communities and across various media distribution platforms. We sell our advertising time both nationally and locally and generate substantially all of our revenue from the sale of advertising time to a broad and geographically diverse customer base. The diversification of our stations across several local markets helps to mitigate any revenue decline in a specific geographic area. Additionally, in 2019, no single advertiser generated more than 5% of our consolidated revenue. Our customer base includes advertisers in the automotive, retail, telecommunications and healthcare industries, among others. In addition to advertising revenue, we also generate subscription and retransmission fee revenue from MegaTV.

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

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

Our Continued Recapitalization and Restructuring Efforts

We have not repaid our outstanding Notes since they became due on April 17, 2017, and we continue to evaluate all options available to refinance the Notes. While we assess how to best achieve a successful refinancing of the Notes, we have continued to pay interest on the Notes, payments that a group of investors purporting to own our Series B preferred stock have challenged through the institution of litigation in the Delaware Court of Chancery as described below. The complaint filed by these investors revealed a purported foreign ownership of our Series B preferred stock, which we are actively addressing, including before the Federal Communications Commission (the "FCC") in order to protect our broadcast licenses. Our refinancing efforts have been made more difficult and complex by the Series B preferred stock litigation and foreign ownership issue. We provide more information about each of these items below. On December 16, 2019, we announced in a press release that we had received a letter from a bank stating that it was highly confident of its ability to arrange secured debt financing for up to \$300 million that, in combination with a possible additional first lien asset-based financing, would be used to repay our outstanding Notes and to make cash purchases of our Series B preferred stock. We cannot assure you that the bank will be successful in raising that financing, that we will be able to raise the additional contemplated first lien asset-based financing or that we will be able to reach agreement that will be acceptable to us. On March 23, 2020, we sold our KTBU-DT FCC license and certain assets used in the transmission of the signal in the Houston, Texas, market. We sold these assets for \$15 million, exclusive of closing costs.

Notes

As of the date of this Annual Report, there was \$249.9 million in principal amount of Notes outstanding. As a result, there has been and remains an event of default under the Indenture which gives the holders of our Notes the right to demand repayment of the Notes and, subject to the terms of the Indenture, to foreclose on our assets that serve as collateral for the Notes. The collateral constitutes substantially all of our assets. We continue to pay interest on the Notes at their current rate of 12.5% per year on a monthly

basis. Since 2017, we have used the proceeds from certain real estate sales and a portion of the proceeds from the sale of our Puerto Rico television spectrum to repay a portion of the Notes.

The Series B Preferred Stock Litigation

Persons claiming to own 94.16% of our Series B preferred stock filed a complaint against us in the Delaware Court of Chancery, in Cedarview Opportunities Master Fund, L.P., et al. v. Spanish Broadcasting System, Inc. (Del.Ct.Ch. C.A. No. 2017-0785-AGB), on November 2, 2017, which was subsequently amended. The complaint, as amended (the "Preferred Holder Complaint"), alleges counts for breach of contract, breach of the implied covenant of good faith and fair dealing and specific performance regarding the Certificate of Designations governing the Series B preferred stock (the "Certificate of Designations") in connection with a forbearance agreement we entered into with certain Noteholders on May 8, 2017 (the "Forbearance Agreement") and breach of our Third Amended and Restated Certificate of Incorporation (the "Charter") and asked for a declaratory judgment regarding the validity of a provision of the Charter regarding the foreign ownership issues described below. Specifically, it alleges that the Forbearance Agreement (which expired on May 31, 2017) and certain payments pursuant thereto were barred by the Certificate of Designations due to the existence of a "Voting Rights Triggering Event" under the Certificate of Designations because, among other things, the forbearance agreement allegedly constituted a "de facto" extension or refinancing of the Notes. The Preferred Holder Complaint alleges that SBS breached the Charter by suspending certain rights of the Series B preferred stockholders, and that Section 10.4 of the Charter is overbroad and thus invalid as a matter of Delaware law. The complaint requests relief including, among other things, an order interpreting and enforcing the Certificate of Designations, preventing us from making any additional payments on the Notes and requiring us to redeem the Series B preferred stock at face value plus accrued dividends (or approximately \$185.0 million as of December 31, 2019), as well as unspecified money damages and a declaration that Section 10.4 of the Charter is invalid. This is the fourth lawsuit filed against us by holders or purported holders of our Series B preferred stock, the first three of which we successfully challenged and won. We believe these claims are without merit, and we intend to defend ourselves vigorously. Our motion to dismiss these claims was granted in part and denied in part on August 27, 2018. The court dismissed the claim for breach of the implied covenant of good faith and fair dealing and dismissed the claim for specific performance (insofar as it sought a redemption of the Series B preferred stock) and dismissed the claim for a declaratory judgment regarding the Charter (insofar as it sought a declaration that Section 10.4 of the Charter is invalid on the face). The other claims in the Preferred Holder Complaint were not dismissed. On September 24, 2019, we filed counterclaims in this matter claiming that certain of the plaintiffs are not valid holders of Series B Preferred stock because their purported purchases were attempted in violation of the Charter and were therefore void as a legal matter by operation of the Charter. On December 18, 2019, we filed a motion for summary judgment against the affected plaintiffs with respect to this issue, and that motion remains pending before the court.

Foreign Ownership Issue

We take the position that the ownership of our shares, both common and Series B Preferred Stock, by those stockholders that validly secured their shares in accordance with the requirements of the Charter was validly constituted and does not result in a violation of the Communications Act or the FCC's implementing rules. However, if legal recognition is given to the purchase by certain foreign persons and individuals of Series B Preferred Stock in amounts that exceed the limits of the Charter, the Communications Act, and the FCC's rules, then a violation may exist. This conclusion would be based on claims made in the Preferred Holder Complaint, the accuracy of which we have not conceded, which asserted that the collective ownership of the outstanding Series B preferred stock by foreign persons (as defined below) exceeded 63 percent of the outstanding Series B preferred stock. As discussed below under "Federal Regulation of Radio and Television Broadcasting – Foreign Ownership," Section 310(b) of the Communications Act prohibits foreign persons from holding in excess of 25 percent of the equity in the Company absent the affirmative consent of the FCC. During our review, we also determined that the current claimed ownership of the Series B preferred stock appeared to violate the foreign ownership restrictions set forth in the Charter.

Article X of our Charter contains provisions governing foreign ownership of our capital stock and compliance with Section 310 of the Communications Act. These provisions of our Charter restrict foreign ownership in us to not more than 25 percent of the aggregate number of our shares of capital stock outstanding in any class or series entitled to vote on any matter. In addition, the last paragraph of Article X of the Charter provides that any transfers of our equity securities that would either violate (or would result in a violation of) the Communications Act or that required prior approval of the FCC are "ineffective." As a result, in reviewing the Preferred Holder Complaint, we have taken the position that if this provision is given effect, certain of those transfers, when attempted, appear to have been in contravention of the Charter and the Communications Act, and were therefore void as a legal matter when they were attempted. In addition, to the extent that those transactions required prior FCC approval or, if given effect, would have placed the Company in violation of the foreign ownership restrictions set forth in the Communications Act, those transactions were ineffective and void by operation of the Charter, and are therefore deemed to have never occurred.

Given the information that was disclosed to us in the Preferred Holder Complaint regarding the purported ownership of a majority of the Series B preferred stock by foreign persons, we were required to take immediate remedial action in order to ensure that

any violations of the Communications Act and our Charter resulting from that ownership did not adversely affect our FCC broadcast licenses and ability to continue our business operations. Accordingly, on November 28, 2017, consistent with our obligations and authority provided to us under the Communications Act and by Article X of our Charter, we notified holders of our Series B Preferred Stock that we were suspending all rights, effective immediately, of the holders of the Series B preferred stock, other than their right to transfer their shares to a citizen of the United States. We added that such suspension of rights would remain in place with respect to each holder of the Series B preferred stock until we had concluded that (1) the shares of such holder should be treated as not owned by aliens or their representatives, as these terms are used under the Communications Act, or (2) the ownership by the purported holders of the Series B preferred stock (including the ownership of any shares by foreign persons) complies with the requirements of the Communications Act and our Charter. Such suspension of rights was meant from the outset to be a temporary and reasonable measure, intended to elicit the information necessary to determine which Series B preferred stock sales were proper under our Charter. We pledged to restore the suspended rights to each shareholder that demonstrated it was neither an alien nor a representative of an alien or upon a showing that its ownership of Series B preferred stock (including stakes held by any non-U.S. entities) complies with Section 310(b) of the Communications Act and our Charter.

We communicated to these purported holders and their counsel the urgent need for information from them so we could understand the details of the transactions under which these parties claim to have acquired their Series B preferred stock, and the ownership of our equity securities that is claimed by them. On that date, we also filed with the Commission a Current Report on Form 8-K summarizing the information request and the potential consequences of excessive foreign ownership of the Series B preferred stock. Without this information, we could not determine which holders in fact own Series B preferred stock and which do not because of the effect of the provisions contained in the Charter that protect us against a violation of the Communications Act and the 25 percent limitation on foreign ownership in an entity controlling an FCC licensee in the absence of FCC approval. We took this action in order to safeguard our most important assets, our FCC broadcast licenses, which would otherwise potentially be at risk if we failed to take appropriate measures to remain in compliance with the Communications Act. On January 9, 2018, as a follow-up to the November 28, 2017 notice, we issued a second public notice requesting additional information from the holders of the Series B Preferred stock regarding their purported acquisition and claimed ownership of the Series B Preferred stock.

In our communications, we also announced that we would issue foreign share certificates containing a restrictive legend in accordance with the requirements of the Charter. However, we were unable to do so because of a lack of ownership information from the holders of the Series B Preferred stock. The purported holders of the Series B preferred stock did not fully and adequately respond to our two requests for information (on November 28, 2017 and January 9, 2018) that would allow us to determine which holders should receive foreign share certificates and to reinstitute the rights of all holders of Series B preferred stock that were within legal limits.

Additionally, on November 13, 2017, we filed a notification with the FCC to apprise the FCC of the possible non-compliance with the Communications Act's limits on foreign ownership. On December 4, 2017, we also filed a protective petition with the FCC for declaratory ruling (the "Petition") with respect to the potential excess foreign ownership. We filed the Petition not because we had concluded that an affirmative FCC public interest ruling regarding recognized foreign ownership was required, but at the suggestion of FCC staff to ensure we had prophylactically availed ourselves of the "safe harbor" protections of Section 1.5004(f)(4) of the FCC's Rules, in the event such a declaratory ruling ultimately proved necessary. This suggestion came after we had previously notified the FCC of a possible Section 310(b) foreign ownership issue triggered by the filing of the Preferred Holder Complaint. The FCC responded to the Petition by sending us a letter detailing the information the FCC would need regarding the identities and nature of the purported foreign ownership of the Series B preferred stock to make a determination regarding our Petition and establishing a deadline for the disclosure of that information. The purported Series B preferred stockholders were therefore required to provide us with sufficient information about the extent and nature of their foreign ownership to enable us to supplement the Petition with this additional information. On March 23, 2018, counsel for the purported holders of most of the Series B preferred stock filed a letter with the FCC supplying a significant portion of the information requested. We reviewed this information in order to determine whether it was complete, true and correct, as required by the FCC's rules, and requested some additional information from the Series B preferred stockholders. The purported Series B preferred stockholders did not provide any additional information regarding the timing of their alleged purchases of Series B preferred stock until December 5, 2018. On that date, such stockholders filed responses to our interrogatories in the Series B Preferred Stock Litigation. These responses contained a significant portion of the pending information that was originally solicited on November 2017 and January 2018, respectively. The new information mainly consisted of the trading information in the Series B preferred stock, including dates of acquisition, the number of shares purportedly acquired in each transaction and, to the extent available, seller information.

On April 27, 2018, the Company announced publicly that the purported foreign ownership excess did not exist. On this date, the Company issued Notices of Ineffective Purported Purchase of Series B Preferred Stock (the "Notices") to each of West Face Long Term Opportunities Global Master L.P., Stornoway Recovery Fund LP, Stonehill Master Fund Ltd. and Ravensource Fund notifying these investors that their claimed purchases of Series B preferred stock would be treated as void and non-existent because these investors attempted to acquire these shares in transactions that, if given effect, would have violated the Charter. In the Notices, the Company invited these investors to demonstrate facts to the contrary supported by relevant documentation. As of the date of this Annual Report, these investors have not provided the Company with any facts or provided any documentation that would support a different legal conclusion.

As stated above, we take the position that certain of the purported non-U.S. preferred stockholders do not currently hold valid equity interests in us, with the result that there is no foreign ownership excess. For this reason, we did not claim in our Petition or any supplement thereto that it would be in the public interest for the relevant entities to hold aggregate interests exceeding the 25 percent foreign ownership benchmark. As stated in the original Petition, we then recognized that our showing "is not yet complete with respect to the FCC's ability to render a decision regarding the ... public interest inquiry." Because the share transfers that gave rise to some or all of the Series B preferred stock ownership claims of several purported non-U.S. preferred stockholders are invalid, there would be no need for such a showing unless a court first determines that the suspect transactions must be honored. Accordingly, both the Company and the purported Series B preferred stockholders have suggested that the FCC should consider simply holding the Petition in abeyance until the Series B Preferred Stock Litigation is resolved. The underlying issues concerning the impact of the Charter provisions on the validity of certain Series B Preferred stock purchases remain pending before the Delaware Chancery Court.

Separately, on December 6, 2018, we received a letter from the Enforcement Bureau of the Investigations and Hearings Division (the "Bureau") of the FCC advising us that we were under investigation for potential violations of Section 310(b) of the Communications Act related to excess foreign ownership of broadcast stations. As part of its investigation, the Bureau requested of us detailed information and supporting documentation about the identities of the Series B preferred stockholders, the potential for a foreign ownership violation, the dates that we became aware of the situation, and the steps we took to address the situation. We timely filed our response to the Bureau's letter of inquiry on February 8, 2019. As of the date of this Annual Report, we have not received a response or any additional inquiries from the Bureau regarding this investigation.

As of the date of this Annual Report, the Company believes that there remain genuine questions regarding valid ownership, or good title, to the Series B preferred stock purportedly held by these foreign investors, who were notified on April 27, 2018. As a result, we intend to remain vigilant regarding compliance with the Communications Act and our Charter and will continue to evaluate information provided to us by the purported holders of the Series B preferred stock. Because we have not yet received all of the requisite information from the purported holders, we have been unable to effectively determine whether to withdraw the suspension of their rights as owners of such preferred stock or to the extent of any additional remedial action by the Company that may be necessary.

Continuing Efforts to Repay the Notes

We are continuing our efforts to undertake a recapitalization of the Company, including through the issuance of new debt to raise the necessary funds to repay the Notes, and discussions with respect to the recapitalization are ongoing. The Series B preferred stock litigation and the foreign ownership issue have complicated our recapitalization efforts. On December 16, 2019, we announced in a press release that we had received a letter from a bank stating that it was highly confident of its ability to arrange secured debt financing for up to \$300 million that, in combination with a possible additional first lien asset-based financing, would be used to repay our outstanding Notes and to make cash purchases of our Series B preferred stock. We cannot assure you that the bank will be successful in raising that financing, that we will be able to raise the additional contemplated first lien asset-based financing or that we will be able to reach agreement that will be acceptable to us. We believe that the delay in achieving the recapitalization has adversely affected us, including because we have been paying more in interest expense on our outstanding Notes than would necessarily be the case if we refinanced them; we are incurring higher legal costs than otherwise would be the case due to our regulatory, litigation and recapitalization efforts; the trading price of our common stock and preferred stock has been materially adversely affected; our reputation in the corporate community has been similarly negatively affected as a general matter; and time spent on these matters distracts the Company's management team from devoting their full attention to running the Company's successful business. These matters will likely continue to have a material adverse effect on us if they are not successfully resolved. We face various risks regarding these matters. See "Special Note Regarding Forward Looking Statements" and "Risk Factors—Risks Related to Our Indebtedness and Preferred Stock."

Operating Segments

We report two operating segments: radio and television.

See Part II, Item 8. Financial Statements and Supplementary Data below.

Radio Overview

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

Radio market revenue rank	Our radio Designated Market Area (DMA)	ov e gro	2019 rket radio er-the-air stimated ss revenues millions)	2018 Hispanic population in market (in millions)	2018 total population in radio market (in millions)	Percentage of total market population that is Hispanic	Percentage of total U.S. Hispanic population
1	Los Angeles	\$	656.9	6.2	13.5	45.7%	9.7%
2	New York		509.2	4.9	19.1	25.9%	7.8%
3	Chicago		396.5	2.2	9.5	23.1%	3.4%
8	San Francisco		222.9	1.9	7.8	23.9%	3.0%
10	Miami-Ft. Lauderdale		207.3	2.5	4.7	52.2%	3.9%
35	Puerto Rico		68.9	3.1	3.2	98.0%	5.0%
	Total in our markets	\$	2,061.7	20.8	57.8	35.9%	32.8%

Source: BIA/Kelsey's Investing in Radio Market Report 2019, 4th edition

In addition to our owned and operated radio stations, we operate AIRE Radio Networks, with over 275 affiliate radio stations serving 87 of the top 100 U.S. Hispanic markets, including 47 of the top 50 Hispanic markets. AIRE Radio Networks currently covers 95% of the coveted U.S. Hispanic market and reaches over 15 million listeners in an average week.

Owned and Operated Radio Station Market Information

The following is a general description of each of our markets. The market revenue information is based on data provided by BIA/Kelsey's Investing in Radio Market Report 2019, 4th edition, and covers only over-the-air estimated gross revenues.

Los Angeles. In 2018, the Los Angeles market was the largest U.S. radio market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$656.9 million. The Los Angeles market experienced an annual radio revenue decrease of 2.5% between 2017 and 2018.

New York. In 2018, the New York market was the second largest U.S. radio market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$509.2 million. The New York market experienced an annual decrease of 1.9% in annual radio revenue between 2017 and 2018.

Chicago. In 2018, the Chicago market was the third largest U.S. radio market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$396.5 million. The Chicago market experienced an annual radio revenue decrease of 2.5% between 2017 and 2018.

San Francisco. In 2018, the San Francisco market was the eighth largest U.S. radio market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$222.9 million. The San Francisco market experienced an annual radio revenue decrease of 7.7% between 2017 and 2018.

Miami-Ft. Lauderdale. In 2018, the Miami-Ft. Lauderdale market was the tenth largest U.S. radio market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$207.3 million. The Miami market experienced an annual radio revenue decrease of 1.5% between 2017 and 2018.

Puerto Rico. In 2018, the Puerto Rico market was the thirty-fifth largest U.S. radio market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$68.9 million. The Puerto Rico market experienced an annual radio revenue decrease of 3.3% between 2017 and 2018.

Owned and Operated Radio Station Programming

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

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

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

Owned and Operated

Market	# of stations	# of formats	FM Station ID	Frequency	Station Name	Format	Target buying demographic group by age
Los Angeles	2	2	KLAX	97.9	La Raza	Regional Mexican	18 – 49
			KXOL	96.3	Mega Latin Rhythmic		18 - 34
New York	2	2	WSKQ	97.9	Mega	Spanish Tropical	18 - 49
			WPAT	93.1	Amor	Spanish Adult Contemporary	25 - 54
Puerto Rico	8	4	WMEG	106.9	Mega	Top 40	18 - 49
			WEGM	95.1	Mega	Top 40	18 - 49
			WRXD	96.5	Play 96.5	Top 40	25 - 54
			WIOB	97.5	Zeta 93	Spanish Tropical	25 - 54
			WZNT	93.7	Zeta 93	Spanish Tropical	25 - 54
			WZMT	93.3	Zeta 93	Spanish Tropical	25 - 54
			WODA	94.7	La Nueva 94	Latin Rhythmic	18 - 34
			WNOD	94.1	La Nueva 94	Latin Rhythmic	18 - 34
Chicago	1	1	WLEY	107.9	La Ley	Regional Mexican	18 - 49
Miami	3	3	WXDJ	106.7	El Zol	Spanish Tropical	18 - 49
			WCMQ	92.3	Z 92.3	Spanish Adult Contemporary	25 - 54
			WRMA	95.7	Ritmo 95.7	Spanish Tropical	18 - 49
San Francisco	1	1	KRZZ	93.3	La Raza	Regional Mexican	18 - 49

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

AIRE Radio Networks Programming

AIRE Radio Networks is comprised of top-rated stations and shows attracting a broad range of quality listeners allowing advertisers to efficiently reach their target audience. AIRE Radio Networks currently covers 95% of the coveted U.S. Hispanic market with over 275 affiliate radio stations, which serve 87 of the top 100 U.S. Hispanic markets, including 47 of the top 50 Hispanic markets. Each of our targeted networks and syndicated network shows are described below:

- Advantage Radio Network (Hispanic Adults 25-54, M-F 6am-7pm). The Advantage Radio Network is a full service music network with strong national coverage and an impressive station lineup delivering high-quality programming of the most popular regional bands and artists. The Advantage Network features a variety of music styles like Regional Mexican, TropiBanda, Ranchera, Mariachi, Grupero and Norteña reaching Hispanic Americans.
- AIRE Select Network (Hispanic Adults 18-49, M-Sun 6am-12mid). The AIRE Select Network targets active young Hispanic adults in fast growing Hispanic metro markets. Its concentrated coverage in the Top 10 Hispanic demographic market areas provide advertisers with a multicultural outreach effort targeting the young and growing Hispanic population. AIRE Select is a day specific, as well as a daypartable network.
- Mega Network (Hispanic Adults 18-49 M-F 6am-12mid)) The Mega Network consists of highly-rated Spanish-language radio stations in major markets and provides flexible scheduling options to reach the fastest growing population in the U.S. The Mega Network is the ideal vehicle with music, entertainment, sports and news formats in Los Angeles, New York, Miami, Houston and Chicago to reach advertisers' business goals.
- Impacto Network (Hispanic Adults 18-49, M-Sun 6a-12mid). The Impacto Network is a complete lineup of stations with creative customized options for advertisers to reach this highly desirable demographic: affluent and professional singles and families. The Impacto Network consists of Spanish CHR ("Contemporary Hit Radio") and Hits, Tropical/AC and Regional Mexican formats, attractive to a wide range of advertisers.

- Prime Family Weekend Network (Hispanic Adults 18-49, Sat & Sun 6am-12mid). The Prime Family Weekend Network targets Hispanic families in the top markets with disposable incomes and a full range of programming services including hourly news, sports and entertainment features. The Prime Family Weekend Network dominates with Tropical/AC, Regional Mexican, Spanish CHR/Hits formats, and is concentrated in top markets reaching families during the busy weekend.
- Entertainment Weekend Network (Hispanic Adults 18-49, Sat & Sun 6am-12mid). The Entertainment Weekend Network delivers the coveted 18-49 Demographic, reaching Hispanic Adults through entertainment features, celebrity interviews, music countdowns and specialty segments, which include fitness and financial tips amongst others. The Entertainment Weekend Network dominates with Regional Mexican, Spanish CHR/Hits formats, and is concentrated in top markets.
- *El Terrible Morning Show.* Thousands of Spanish-speaking radio listeners who enjoy the regional Mexican genre tune in every morning to this fun and diverse show, which brings listeners the latest news, lifestyle, motivation and entertainment.
- La Mezcla con DJ Alex Sensation Show. The "La Mezcla con DJ Alex Sensation Show" (The Mix) is a seamless mix of our listeners' favorite songs including the Top 40 Latin tracks of the moment.

In addition to these networks and shows, we offer broadcasters two 24 hours / 7 days a week programming formats: our Regional Mexican and Tropical formats. Each of our programming formats produces a music format that is simultaneously distributed via XDS ("X-Digital Systems") with a High Definition quality sound to our affiliate stations. Technology allows our affiliate stations to offer the necessary local feel and to be responsive to local clients and community needs. The audience gets the benefit of a national radio station sound along with local content.

Television Overview and Programming

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

TV market revenue rank	Our TV Designated Market Area (DMA)	ov e	2019 arket TV er-the-air stimated gross evenues	2018 Hispanic population in market (in millions)	2018 total population in TV market (in millions)	Percentage of total market population that is Hispanic	Percentage of total U.S. Hispanic population
5	Houston (1)	\$	487.6	2.7	7.4	37.1%	4.3%
7	Miami-Ft. Lauderdale		412.1	2.5	4.8	51.7%	3.9%
32	San Juan, Puerto Rico		152.2	3.1	3.2	98.0%	5.0%
	Total in our markets	\$	1,051.9	8.3	15.4	54.4%	13.2%

(1) The Company sold its FCC license and certain assets related to the transmission of its KTBU-DT signal on March 23, 2020.

Source: BIA/Kelsey's Investing in Television Market Report 2019, 4th edition

Television Station Portfolio

The following is a general description of each of our markets as of the year ended December 31, 2019. The market revenue information is based on data provided by BIA/Kelsey's Investing in Television 2019, 4th edition.

Houston. In 2018, the Houston market was the fifth largest U.S. television market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$487.6 million. The Houston market experienced an annual television revenue increase of 6.1% between 2017 and 2018.

Miami. In 2018, the Miami-Ft. Lauderdale market was the seventh largest U.S. television market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$412.1 million. The Miami-Ft. Lauderdale market experienced an annual television revenue increase of 15.9% between 2017 and 2018.

San Juan, Puerto Rico. In 2018, the San Juan, Puerto Rico market was the thirty-second largest U.S. television market in terms of advertising revenue. In 2019, advertising revenues were projected to be approximately \$152.2 million. The San Juan, Puerto Rico market experienced an annual television revenue increase of 3.5% between 2017 and 2018.

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

Market	Station ID	Programming type
Houston, Texas (1)	KTBU	Owned & Operated
Miami, Florida	WSBS	Owned & Operated
San Juan, Puerto Rico	WTCV	Owned & Operated
Ponce, Puerto Rico	WVOZ	Owned & Operated
Aguadilla, Puerto Rico	WVEO	Owned & Operated
DIRECTV	Satellite	Distribution Agreement
DIRECTV-Puerto Rico	Satellite	Distribution Agreement
AT&T U-Verse-Nationwide	ADS/Cable	Distribution Agreement
Verizon Fios (2)	ADS/Cable	Distribution Agreement

- (1) The Company sold its FCC license and certain assets related to the transmission of its KTBU-DT signal on March 23, 2020.
- (2) MegaTV is distributed by Verizon Fios in Queens and Albany, NY.

Television Strategy

Mega TV's programming is based on a strategy designed to showcase a combination of programs, ranging from televised radio-branded shows to news and general entertainment programs, such as music, celebrity, debate, interviews and personality-based shows. On the forefront of digital platforms, we were the first Spanish-language programmer to broadcast in 100% native High Definition ("HD") in the United States and one of the first Spanish-language programmers in the United States to launch content on Video On Demand, known as VOD.

As part of our strategy, we have incorporated certain of our radio on-air personalities into our television programming, as well as including interactive elements to complement our Internet websites. We produce over 65 hours of original programming per week. Our television revenue is generated primarily from the sale of local advertising and paid programming. Advertising rates depend primarily on our ability to attract an audience in the demographic groups targeted by our advertisers, the number of stations in the market we compete with for the same audience, and the supply of and demand for television advertising time, as well as other qualitative factors. We also generate revenue from the sale of integrated sponsorships, program syndication and subscriber fees.

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

- integrated HD/standard definition ("SD") file-based content capabilities throughout our studio, post production and master control areas:
- three HD studio production spaces that can be operated independently or combined;
- two fully equipped HD control rooms with server, editing and mastering capabilities;
- 14 HD/SD post production editing suites that include advanced technology in networked solutions;
- satellite downlink antenna farm and extensive fiber connectivity for content contribution and distribution; and
- multi-path, redundant HD server-based master control system responsible for our distribution feeds.

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

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

Special Events and On-Line Properties

As part of our media operating business, we also operate SBS Entertainment and SBS Interactive. SBS Entertainment is a premier producer of unique entertainment, concerts and special events. We generate special events revenue from ticket sales and event sponsorships, as well as profit-sharing arrangements by producing or co-producing live concerts and live experience events with popular artists, which are promoted by our radio, television and digital media assets. SBS Interactive manages LaMusica.com, Mega.tv, various radio station websites, and the LaMusica Mobile App. All of the digital properties offer bilingual (Spanish-English) content related to Latin music, entertainment, cultural & market trends, lifestyle, and news. LaMusica and our multiple social media networks generate revenue primarily from advertising and sponsorships. In addition, the majority of our social media networks and station websites simultaneously stream our radio stations' content which has broadened our audience reach. We are developing brand specific digital content strategies for various broadcast programs, on-air personalities and brands, and intend to generate revenue from such strategies. We also leverage many of our special events produced by SBS Entertainment, to produce music based digital content for live streaming and/or taped, on-demand streaming, which can also be developed to generate revenue.

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

Advertising Revenue

The vast majority of our revenue is derived from cash advertising sales. Advertising revenue has historically been classified into three categories – "national", "network" and" local". "National" generally refers to advertising that is solicited by a representative firm for advertisers out of the Designated Market Area ("DMA"). Our national sales representative for our radio stations is McGavren Guild Media, LLC. "Network" advertising revenue is advertising revenue sold to network advertisers expecting to reach 70% plus of the U.S. national radio audience in a specific demographic group. The network advertising buys are sold by our AIRE Radio Networks group. "Local" refers to advertising purchased by advertisers and agencies in the local market served by a particular station.

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

We believe that the broadcasting industry is one of the most efficient and cost-effective means for advertisers to reach targeted demographic groups, primarily Adults 18-49. Advertising rates charged by a station are based primarily on the station's ability to attract an audience in a given market and on the attractiveness to advertisers of the station's audience demographics, as well as the demand on available advertising inventory. Rates also vary depending upon a program's ratings among the listeners/viewers an advertiser is seeking to attract and the availability of alternative media in the market. Radio advertising rates generally are highest during the morning drive-time hours, which are the peak hours for radio audience listening. Television advertising rates are higher during prime time evening viewing periods. A broadcaster that has multiple stations in a market appeals to national advertisers because these advertisers can reach more listeners and viewers, thus enabling the broadcaster to attract a greater share of the advertising revenue in a given market. In light of these factors, we seek to grow our revenue by taking advantage of our presence in major Hispanic markets as new and existing advertisers recognize the increasing desirability of targeting the growing U.S. Hispanic population.

Each station broadcasts a predetermined number of advertisements per hour with the actual number depending upon the format of a particular station and any programming strategy we are utilizing to attract an audience. We also determine the number of advertisements broadcast hourly that can maximize the station's revenue without negatively impacting its audience listener/viewer levels. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year.

It is customary in the radio, television, and interactive industry that the majority of advertising contracts with our advertisers are short-term and generally run for less than three months. This affords broadcasters the opportunity to modify advertising rates as dictated by changes in audience ratings, changes in competitive dynamics and changes in the business climate within a particular market. In each of our broadcasting markets, we employ sales personnel to obtain local advertising revenue. Our local sales force is responsible for maintaining relationships with key local advertisers and agencies and identifying new advertisers. We pay commissions to our local sales staff upon receipt of payment for their respective billings which assist in our collection efforts. See "Risk Factors—Risks Related to Our Business—Cancellations, reductions, delays and seasonality in advertising could adversely affect our net revenues."

Seasonality

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

Competition

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

Several of the broadcast stations with which we compete are subsidiaries of larger national or regional companies that have substantially greater financial resources than we do and may not be undergoing a recapitalization strategy, such as the one we are pursuing. Factors which are material to our competitive position include:

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

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

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

The FCC has authorized HD Radio ® technology which permits a station to transmit radio programming in digital formats using the bandwidth that the radio station is currently licensed to use. HD Radio ® technology is used to (1) improve sound quality, (2) provide spectrum for enhanced data services and multiple program streams and (3) allow radio stations to time broker unused

digital bandwidth to third parties, thereby providing new business opportunities for radio broadcasters. We currently utilize HD Radio ® digital technology on some of our stations and will evaluate additional installations over the next few years.

The delivery of information through the presently minimally regulated Internet has also created a new and growing form of competition for both radio and television. Internet broadcasts generally have no geographic limitations and can provide listeners with programming from around the country and the world. We expect that improvements from higher bandwidths, faster download speeds and wider programming selection will continue to make Internet radio and television a more significant competitor in the future. We continue to develop and expand our own websites and digital content. Our radio and television stations also compete for audiences and advertising revenues within their respective markets directly with Amazon, Apple, Facebook and Google.

The variety and quality of video and audio content on the internet continues to expand. Internet companies have developed business relationships with companies that have traditionally provided syndicated programming, network television and other content. As a result, additional programming continues to become available through nontraditional methods, which can directly impact the number of TV viewers and radio listeners and thus indirectly impact station rankings, popularity and revenue possibilities from our stations. We cannot assure you that the development or introduction of any new media technology will not have an adverse effect on the radio and television broadcasting industries.

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

Trademarks, Copyrights and Licenses

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

Environmental Matters

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

Employees

As of December 31, 2019, we had 357 full-time employees and 94 part-time employees. In July 2016, SAG-AFTRA was certified as the exclusive collective bargaining representative of a bargaining unit of approximately 30 employees at our Los Angelesbased stations KXOL and KLAX. In October 2018, SAG-AFTRA was also certified as the exclusive collective bargaining representative of a bargaining unit of approximately 10 employees at our Chicago-based station WLEY. We have been negotiating with representatives of SAG-AFTRA for initial collective bargaining agreements covering those bargaining units. To date, we have not yet reached initial collective bargaining agreements with SAG-AFTRA covering either bargaining unit.

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

Antitrust

We have completed, and in the future may complete, strategic acquisitions and divestitures in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. As a result of the industry consolidation resulting from the passage of the Telecommunications Act of 1996 (the "Act"), the Federal Trade Commission (the "FTC") and the Department of Justice

(the "DOJ"), the federal agencies responsible for enforcing the federal antitrust laws, have reviewed certain proposed acquisitions of broadcast stations and station networks. The DOJ can be particularly aggressive when the proposed buyer already owns one or more broadcast stations in the market of the station it is seeking to buy and, following a proposed acquisition, would garner a substantial portion of the advertising revenues in a market. The DOJ has challenged a number of broadcasting transactions. Some of those challenges ultimately resulted in consent decrees requiring, among other things, divestitures of certain stations. As part of its scrutiny of station acquisitions, the DOJ has stated publicly that it believes that commencement of operations under time brokerage agreements, local marketing agreements and other similar agreements customarily entered into in connection with station transfers prior to the expiration of the waiting period under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the "HSR Act"), could violate the HSR Act. In connection with acquisitions, subject to the waiting period under the HSR Act, so long as the DOJ policy on the issue remains unchanged, we would not expect to commence operation of any affected station under a time brokerage agreement, local marketing agreement or similar agreement until the waiting period has expired or been terminated. Any similar sales of broadcast stations and station networks could also be delayed by FTC, DOJ, or HSR Act approvals.

Federal Regulation of Radio and Television Broadcasting

General

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

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

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

FCC Licenses

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

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

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

		Date of	Date of license	Operation	FCC		
Broadcast station	Market	acquisition	expiration	frequency	class	HAAT	Power
						(In meters)	(In kilowatts)
KLAX-FM	Los Angeles, CA	2/24/1988	12/1/2021	97.9 MHz	В	184	33
KXOL-FM	Los Angeles, CA	10/30/2003	12/1/2021	96.3 MHz	В	398	7
WSKQ-FM	New York, NY	1/26/1989	6/1/2022	97.9 MHz	В	415	6
WPAT-FM	New York, NY	3/25/1996	6/1/2022	93.1 MHz	В	433	5
WMEG-FM	Puerto Rico	5/13/1999	2/1/2028	106.9 MHz	В	594	25
WEGM-FM	Puerto Rico	1/14/2000	2/1/2028	95.1 MHz	В	600	25
WRXD-FM	Puerto Rico	12/1/1998	2/1/2028	96.5 MHz	В	852	12
WIOB-FM	Puerto Rico	1/14/2000	2/1/2028	97.5 MHz	В	302	50
WZNT-FM	Puerto Rico	1/14/2000	2/1/2028	93.7 MHz	В	560	28
WZMT-FM	Puerto Rico	1/14/2000	2/1/2028	93.3 MHz	B1	(69)	15
WODA-FM	Puerto Rico	1/14/2000	2/1/2028	94.7 MHz	В	560	31
WNOD-FM	Puerto Rico	1/14/2000	2/1/2028	94.1 MHz	В	597	25
WLEY-FM	Chicago, IL	3/27/1997	12/1/2020	107.9 MHz	В	232	21
WRMA-FM	Miami, FL	3/28/1997	2/1/2028	95.7 MHz	C2	167	40
WCMQ-FM	Miami, FL	12/22/1986	2/1/2028	92.3 MHz	C2	188	31
WXDJ-FM	Miami, FL	3/28/1997	2/1/2028	106.7 MHz	C0	300	100
KRZZ-FM	San Francisco, CA	12/23/2004	12/1/2021	93.3 MHz	В	415	6
WSBS-DT	Miami, FL(1)	3/1/2006	2/1/2021	CH. 3	DTV	54	1
WSBS-CD	Miami, FL	3/1/2006	2/1/2021	CH. 19	CA	236	150
KTBU-DT	Houston, TX ⁽²⁾	8/1/2011	8/1/2022	CH. 33	DTV	597	1,000
WTCV-DT	San Juan, PR	1/4/2016	2/1/2021	CH. 21 ⁽⁴⁾	DTV	290	4
WVEO-DT	Aguadilla, PR(3)	1/4/2016	2/1/2021	CH. 17 ⁽⁴⁾	DTV	372	42
WVOZ-DT	Ponce, PR(3)	1/4/2016	2/1/2021	CH. 36 ⁽⁴⁾	DTV	247	50

- (1) TV Station WSBS-DT is licensed to Key West and is part of the Miami DMA (designated market area, as defined by Nielsen Media Research).
- (2) TV Station KTBU-DT is licensed to Conroe, Texas and is part of the Houston DMA. The Company sold the FCC license and certain assets related to the transmission of its KTBU-DT signal on March 23, 2020.
- (3) TV Stations WVEO-DT and WVOZ-DT are operated as satellites of TV Station WTCV-DT pursuant to a satellite waiver.
- (4) WTCV-DT has moved from CH. 32 to CH. 21 and is now operating pursuant to a Channel Sharing Agreement with Station WJPX, San Juan, PR. WVOZ-DT has moved from CH. 47 to CH. 36 and is now operating pursuant to a Channel Sharing agreement with Station WKPV(DT), Ponce, PR. WVEO-DT is now operating pursuant to a Channel Sharing Agreement with Station WIRS(DT), Yauco, PR.

License Grant and Renewal

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

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

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

The Communications Act authorizes the filing of petitions to deny a license renewal application during specific periods of time after a renewal application has been filed. Interested parties, including members of the public, may use these petitions to raise issues concerning a renewal applicant's qualifications. If a substantial and material question of fact concerning a renewal application is raised by the FCC or other interested parties, or if for any reason the FCC cannot determine that granting a renewal application would serve the public interest, convenience and necessity, the FCC will hold an evidentiary hearing on the application. If, as a result of an evidentiary hearing, the FCC determines that the licensee has failed to meet the requirements specified above and that no mitigating factors justify the imposition of a lesser sanction, then the FCC may deny a license renewal application. Generally, our licenses have been renewed without any material conditions or sanctions being imposed, but we cannot assure you that the licenses of each of our stations will continue to be renewed or will continue to be renewed without conditions or sanctions. The most recent renewal cycle began in June 2019 and concludes in April 2023.

Transfers and Assignments of License

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

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

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

Foreign Ownership

Under the Communications Act, a broadcast license may not be granted to or held by any corporation that has more than 20% of its capital stock directly owned or voted by non-U.S. citizens, whom the FCC refers to as "aliens," or entities or their representatives, by foreign governments or their representatives, or by non-U.S. corporations (which we collectively refer to as "foreign persons" in this Annual Report). Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation directly or indirectly controlled by any other corporation of which more than 25 percent of the capital stock is owned or voted by foreign persons, if the FCC finds the public interest will be served by the refusal or revocation of such license. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such entity. These restrictions apply in modified form to other forms of business organizations, including partnerships and limited liability companies. Thus, the licenses for our stations could be revoked if more than 25 percent of our outstanding capital stock is issued to or for the benefit of foreign persons. In November 2013, the FCC confirmed that it will consider on a case-by-case basis petitions for approval of foreign ownership that exceeds the 25 percent threshold and, in September 2016, the FCC adopted specific rules and procedures for the filing and review of such requests. In the September 2016 decision, the FCC confirmed that it will allow companies to seek approval of up to 100% foreign ownership. The FCC also adopted a methodology for determining the citizenship of the beneficial owners of publicly held shares that companies may use to ascertain compliance with the foreign ownership rules. Our Charter provides that the transfer or conversion of our capital stock, whether voluntary or involuntary, shall not be permitted, and shall be ineffective, if such transfer or conversion would violate (or would result in violation of) the Communications Act or any of the rules or regulations promulgated thereunder or require the prior approval of the FCC, unless such prior approval has been obtained.

The Company takes the position that the current validly constituted ownership of the Company's shares, both common and Series B Preferred Stock, was validly constituted and does not give rise to a violation of the Communications Act or the FCC's implementing rules. However, in reviewing the Preferred Holder Complaint, which was originally filed against us on November 2, 2017, as summarized under "—Our Continued Recapitalization and Restructuring Efforts—The Series B Preferred Stock Litigation," we noted that if the alleged facts set forth in the Preferred Holder Complaint were correct, which we have not conceded, and the collective ownership of the outstanding Series B preferred stock by foreign persons exceeded 63 percent of the outstanding Series B preferred stock as stated in the Preferred Holder Complaint, then foreign persons would own well in excess of 25 percent of our equity in violation of Section 310(b)(4) of the Communications Act. In addition, the last paragraph of Article X of the Charter provides that any transfers of the Company's equity securities that would either violate (or would result in a violation of) the Communications Act or that required prior approval of the FCC are ineffective. As a result, in reviewing the Preferred Holder Complaint, we take the position that if this provision is given effect, certain of those transfers, when attempted, appear to have been in contravention of the Charter and the Communications Act, and were therefore void as a legal matter when they were attempted. In addition, to the extent that those transactions required prior FCC approval or, if given effect, would have placed the Company in violation of the Charter, and are therefore deemed to have never occurred.

Given the information that was disclosed to us in the Preferred Holder Complaint regarding the purported ownership of a majority of the Series B preferred stock by foreign persons, we were required to take immediate remedial action in order to ensure that any violations of the Communications Act and our Charter resulting from such ownership of the Series B preferred stock did not adversely affect our FCC broadcast licenses and ability to continue our business operations. For additional information regarding the remedial actions we have taken or are currently taking, see "—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue."

Ownership Attribution

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

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

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

Multiple Ownership

The Communications Act and FCC rules generally restrict ownership, operation or control of, or the common holding of attributable interests in broadcast stations above certain limits serving the same local market. The FCC is required to review quadrennially the media ownership rules and to modify, repeal or retain any rules as it determines to be in the public interest. The FCC's currently effective multiple ownership rules are briefly summarized below.

Local Radio Ownership

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

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

To apply these tiers, the FCC currently relies on Nielsen Metro Survey Areas, where they exist. In other areas, the FCC relies on an interim contour-overlap methodology. For radio stations located outside Nielsen® Metro Survey Areas, the market definition is based on technical service areas. The market definition used by the FCC in applying its ownership rules may not be the same as that used for purposes of the HSR Act.

Local Television Ownership

Under the ownership rules currently in place, the FCC generally permits an owner to have only one television station per market. A single owner is permitted to have two stations with overlapping signals only if one of the two commonly owned stations is not ranked in the top four based upon audience share and at least eight independent owners of television stations would remain in the market following a combination. The rules also permit the ownership, operation or control of two television stations in a market as long as the stations' Noise Limited Service contours do not overlap. The FCC will consider waiving these ownership restrictions in certain cases involving failing or failed stations or stations which are not yet built. The FCC also grants satellite waivers when one or more television stations operate as satellites of another station. We currently operate WTCV as a parent station and WVEO and WVOZ-TV as satellite stations in the Puerto Rico designated market area pursuant to a satellite waiver. Under the rule, the licensee of a television station that provides more than 15% of another in-market station's weekly programming will be deemed to have an attributable interest in the other station. New television JSAs are currently attributable.

RadioTelevision Cross Ownership Rule

The radio television cross ownership rule generally allows common ownership of one or two television stations and up to six radio stations, or, in certain circumstances, one television station and up to seven radio stations, in any market where at least 20 independent voices would remain after the combination; two television stations and up to four radio stations in a market where at least 10 independent voices would remain after the combination; and one television and one radio station notwithstanding the number of independent voices in the market. A "voice" generally includes independently owned, same market commercial and noncommercial broadcast television and radio stations, newspapers of certain minimum circulation, and one cable system per market.

Newspaper Broadcast Cross Ownership Rule

Under the currently effective newspaper broadcast cross ownership rule, unless grandfathered or subject to waiver, no party can have an attributable interest in both a daily English language newspaper and either a television or radio station in the same market.

Television National Audience Reach Limitation

Under the Communications Act, one party may not own TV stations which collectively reach more than 39% of all U.S. TV households. For purposes of calculating the total number of TV households reached by a station, the FCC previously applied a "UHF discount" pursuant to which a UHF TV station was attributed with only 50% of the TV households in its market. In September 2016 the FCC eliminated the UHF discount. The FCC provided limited grandfathering for TV station owners that exceed the 39% cap without the UHF discount. Grandfathering will expire if combinations are assigned or transferred to a third party. In December 2017, the FCC opened a rule making to review the national television audience reach cap and the 50% discount that was given to UHF stations in determining compliance with the national audience cap.

Programming and Operations

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

The FCC requires that licensees not discriminate in hiring practices on the basis of race, color, religion, national origin or gender. It also requires stations with at least five full-time employees to disseminate information about all fulltime job openings and undertake outreach initiatives from an FCC list of activities such as participation in job fairs, internships or scholarship programs. Stations must retain records of their outreach efforts and keep an annual Equal Employment Opportunity ("EEO") report in their public inspection files and post an electronic version on their websites. In April 2017, the FCC issued a Declaratory Ruling permitting broadcast stations to use online job postings as their sole means of recruiting, so long as online postings reach all segments of a broadcasters' community.

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

Indecency and Profanity

Provisions of federal law regulate the broadcast of obscene, indecent, or profane material. The FCC's rules prohibit the broadcast of obscene material at any time and indecent or profane material between the hours of 6 a.m. and 10 p.m. Broadcasters risk violating the prohibition against broadcasting indecent or profane material because the vagueness of the FCC's indecency/profanity definition makes it difficult to apply, particularly with regard to spontaneous, live programming. In recent years, the FCC has increased its enforcement efforts of these indecency and profanity regulations, and has threatened to initiate license revocation proceedings against broadcast licenses for "serious" indecency or profanity violations. The FCC has substantially increased its monetary penalties for violations of these regulations. Legislation enacted in 2006 provides the FCC with authority to impose fines of up to \$414,454 per indecent or profane utterance with a maximum forfeiture exposure of \$3,825,726 for any continuing violation arising from a single act or failure to act. In the ordinary course of business, we have received complaints or the FCC has initiated inquiries about whether a limited number of our radio stations have broadcast indecent programming. The FCC inquiries with respect to indecency have been pending for several years and are not expected to have a material adverse effect on our business, operating results or financial condition.

In July 2010, the United States Court of Appeals for the Second Circuit ("Second Circuit") issued a decision in which it vacated the FCC's indecency policy as unconstitutional. In June 2012, the Supreme Court issued a decision which held that the FCC could not fine ABC and FOX for the specific broadcasts at issue in the case because the FCC had not provided them with sufficient notice of its intent to issue fines for the use of fleeting expletives. The Court also held that the FCC's indecency standards did not violate the First Amendment. In April 2013, the FCC requested comments on its indecency policy, including whether it should ban the use of fleeting expletives or whether it should only impose fines for broadcasts that involve repeated and deliberate use of expletives. The FCC has advised that it will continue to pursue enforcement actions in egregious cases while it conducts its review of its indecency policies generally and issued a Notice of Apparent Liability in 2015 for the then-maximum forfeiture amount of \$325,000 against a television station for violation of its indecency policy. We cannot predict whether Congress will consider or adopt further legislation in this area.

Simulcasting

The FCC rules prohibit a licensee from simulcasting more than 25% of its programming on another radio station in the same broadcast service (that is, AM/AM or FM/FM). The simulcasting restriction applies if the licensee owns both radio broadcast stations or owns one and programs the other through a local marketing agreement, provided that the contours of the radio stations overlap in a certain manner. In November 2019, the FCC released a Notice of Proposed Rulemaking seeking comment on whether to modify or eliminate this rule. The time period for filing comments on the rulemaking concluded in February 2020 and the matter remains pending before the Commission.

Time Brokerage and Joint Sales Agreements

Occasionally, stations enter into time brokerage agreements or local marketing agreements. Separately owned and licensed stations may agree to function cooperatively in programming, advertising sales and other matters, subject to compliance with the antitrust laws and the FCC's rules and policies, including the requirement that the licensee of each station maintain independent control over the programming and other operations of its own station. Over the past few years, a number of stations have entered into cooperative arrangements commonly known as JSAs. The FCC has determined that where two radio stations are both located in the same market and a party with a cognizable interest in one such station sells more than 15% of the advertising per week of the other station, that party shall be treated as if it has an attributable interest in that brokered station. As noted in the Section titled "Local Television Ownership," above, new television JSAs are currently attributable.

RF Radiation

In 1985, the FCC adopted rules based on a 1982 American National Standards Institute, or "ANSI," standard regarding human exposure to levels of radio frequency, or "RF," radiation. These rules require applicants for renewal of broadcast licenses or modification of existing licenses to inform the FCC at the time of filing such applications whether an existing broadcast facility would expose people to RF radiation in excess of certain limits. In 1992, ANSI adopted a new standard for RF radiation exposure that, in some respects, was more restrictive in the amount of environmental RF radiation exposure permitted. The FCC adopted more restrictive radiation limits that became effective October 15, 1997 and which are based in part on the revised ANSI standard. The FCC recently concluded a multi-year follow up proceeding in which it concluded in an order issued in November 2019 that no further changes to its RF exposure rules were warranted.

Terrestrial Digital Radio

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

Low Power Radio Broadcast Service

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

Change of Community

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

Cable and Satellite Carriage of Television Broadcast Stations

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

Neither cable systems nor DBS operators are required to carry more than a station's primary video programming channel. Consequently, the multicast programming streams provided by our Houston television station are not entitled to mandatory carriage pursuant to the digital must-carry rules. In 2011, the FCC released a rulemaking seeking comment on a series of proposals to streamline and clarify the rules concerning retransmission consent negotiations. This proceeding ended without the adoption of additional rules. In a separate proceeding, the FCC has requested comment on whether the definition of MVPD should be expanded to include entities that make available multiple channels of video programming to subscribers through Internet connections. This proceeding remains pending.

Digital Television Services

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

To the extent a station has "excess" digital capacity (i.e., digital capacity not used to transmit free, over the air video programming), it may elect to use that capacity in any manner consistent with FCC technical requirements, including for data transmission, interactive or subscription video services, or paging and information services. If a station uses its digital capacity to provide any such "ancillary or supplementary" services on a subscription or otherwise "feeable" basis, it must pay the FCC an annual fee equal to 5% of the gross revenues realized from such services.

In 2017, the FCC adopted rules authorizing the deployment of the Next Generation broadcast television transmission standard, also called ATSC 3.0. ATSC 3.0 is an Internet Protocol-based broadcast transmission platform that merges the capabilities of overthe-air broadcasting with the broadband viewing and information delivery methods of the Internet, using the same 6 MHz channels presently allocated for digital television service. Stations are not obligated to use ATSC 3.0; use of the new standard is voluntary. We cannot predict what impact the new standard will have on our business.

Children's Television Programming

The FCC has adopted rules on children's television programming pursuant to the Children's Television Act of 1990. The rules limit the amount and content of commercial matter that may be shown on television stations during programming designed for children 12 years of age and younger and require stations to broadcast on their main program stream three hours per week of educational and informational programming ("E/I programming") designed for children 16 years of age and younger. These rules also limit the display during children's programming of Internet addresses of websites that contain or link to commercial material or that use program characters to sell products. In July 2019, the FCC adopted an Order revising the children's television programming rules in a number of respects, including eliminating the requirement to air children's programming on multicast streams, expanding the daily window in which programming can air, and switching from a quarterly reporting requirement to an annual reporting requirement.

Sponsorship Identification

Both the Communications Act and the FCC rules generally require that, when payment or other consideration has been received or promised to a broadcast licensee for the airing of program material, the station must disclose that fact and identify who paid or promised to provide the consideration at the time of the airing. In the past, the FCC has initiated inquiries against several media companies, including our company, concerning sponsorship identification practices with respect to the music recording industry. The FCC has also initiated inquiries against several dozen television stations seeking to determine whether their broadcast of "video news releases" (each, a "VNR") violated the sponsorship identification rules by failing to disclose the source and sponsorship of the VNR materials. At least two television broadcast licensees were issued fines by the FCC for violations of the sponsorship ID rules related to VNRs. VNRs are news stories and feature materials produced by government agencies and commercial entities, among others, for use by broadcasters. An FCC commissioner has recently commenced an informal inquiry into recording industry practices with respect to payola in the radio industry. In addition, the FCC has recently increased its enforcement of certain regulations, including regulations requiring a radio station to include an on-air announcement which identifies the sponsor of all advertisements and other matter broadcast by any radio station for which any money, service or other valuable consideration is received. Whether any new regulations are ultimately adopted and, if so, the effect of such rules on our operations cannot currently be determined.

Closed Captioning and Video Description Rules

FCC rules require the majority of programming broadcast by television stations to contain closed captions. In January 2012, the FCC adopted rules to require that television programming broadcast or transmitted with captioning include captioning if subsequently made available online, for example, by streaming content on broadcasters' websites. In 2014, the FCC adopted an Order expanding the IP captioning rules to brief segments or clips of video programs that are carried on the Internet. In 2016, the FCC adopted additional rules with respect to the provision and quality of closed captions. The rules were phased in between January 1, 2016 and July 1, 2017. The rules allow a video programming owner to file a petition for exemption from the rules. We have filed a petition for exemption from the rules based upon a showing of undue burden. During the pendency of an undue burden determination, the video programming subject to the request for exemption is considered exempt from the closed captioning requirement.

FCC rules also require, in part, that affiliates of the top-four national broadcast networks in the top 60 markets provide a minimum of 50 hours of video-described primetime and/or children's programming each calendar quarter.

Commercial Advertisement Loudness Mitigation

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

Recordkeeping

The FCC rules require broadcast stations to maintain various records regarding operations, including equipment performance records and a log of a station's operating parameters. The FCC has recently increased enforcement of requirements regarding online public inspection files, which are now maintained on an FCC website and are therefore widely accessible by members of the public and the FCC.

Regulation of the Internet

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

Repurposing of Broadcast Spectrum for Other Uses by the FCC

In February 2012, the FCC was authorized to conduct voluntary "broadcast incentive auctions" in order to reallocate certain spectrum currently occupied by television broadcast stations to mobile wireless broadband services, to "repack" television stations into a smaller portion of the existing television spectrum band, and to require television stations that did not relinquish spectrum in the

reverse auction to modify their transmission facilities, subject to reimbursement for reasonable relocation costs up to a nationwide total of \$1.75 billion.

The FCC has adopted rules concerning the incentive auction and the repacking of the television band and concluded the broadcast incentive auction. Under the auction rules implemented by the FCC, television stations were given an opportunity to offer spectrum for sale to the government in a "reverse" auction while wireless providers could bid to acquire spectrum from the government in a related "forward" auction. We participated in the auction for stations in Miami, Houston, and multiple stations in Puerto Rico. However, because the price to sell our spectrum fell below the value we ascribe to it, we only sold the spectrum of one television station in Puerto Rico in the auction.

Following completion of the incentive auction, the FCC is now "repacking" the remaining television broadcast spectrum, which requires certain television stations that did not participate or were not selected in the reverse auction to modify their transmission facilities, including requiring such stations to operate on other channels. Our Miami, Houston, and one of our Puerto Rico TV Stations had their channel designation reassigned. The original reimbursement limit across all stations nationwide was \$1.75 billion. However, in March 2018, Congress authorized an additional \$1 billion to be used for reimbursements related to repacking and directed that of that amount not more than \$50 million could be used to reimburse FM stations that share towers with television stations being repacked and that are required to modify their facilities on a temporary or permanent basis to accommodate changes made by the television stations. In 2019, the FCC adopted procedures to reimburse FM stations as well as to low power television and television translator stations that will be displaced.

We have filed cost estimates related to the repacking of our TV stations and our channel reassignments and are submitting invoices for reimbursement as they are received. We are not aware that any of our FM stations will be impacted by facilities modifications unlike what our television stations being repacked will be required to implement. When repacking, the FCC makes reasonable efforts to preserve a station's coverage area and population served. In addition, the FCC is prohibited from requiring a station to move involuntarily from the UHF band, the band in which most of our television broadcast licenses operate, to the VHF band or from the high VHF band to the low VHF band. The impact of the repacking of our broadcast television spectrum on our business cannot be predicted at this time.

Laws Affecting Intellectual Property

Laws affecting intellectual property are of significant importance to us to protect our brands and copyrights. Protection of brands requires the vigilance and action by the brand owner. We seek trademark registrations for significant brand assets and enforce our brand rights against infringing parties through legal actions, including enforcement actions in the United States Patent and Trademark Office. Unauthorized distribution or reproduction of content, especially in digital formats such as unlicensed live simultaneous or stored streaming of audio recordings and peer-to-peer file "sharing," are threats to a copyright owner's ability to protect and exploit its property. We monitor legal changes that might impact the exclusive rights we have in broadcasts, streams and recorded content. Our digital delivery services and commercial arrangements with digital content providers help reduce the risks associated with unauthorized access to our content. We are also engaged in enforcement and other activities to protect our intellectual property.

Proposed and Recent Changes

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

- changes to the license authorization and renewal process;
- proposals to improve record keeping, including enhanced disclosures of stations' efforts to serve the public interest;
- changes to the FCC's equal employment opportunity regulations and other matters relating to the involvement of minorities and women in the broadcasting industry;
- changes to rules relating to political broadcasting including proposals to grant free air time to candidates, and other changes
 regarding political and nonpolitical program content, funding, political advertising rates, sponsorship disclosures, and political
 file record-keeping obligations;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;

- proposals to restrict or prohibit the advertising of on-line casinos or on-line sports-betting services;
- proposals regarding the regulation of the broadcast of indecent or violent content;
- technical and frequency allocation matters, including increased protection of low power FM stations from interference by full-service stations and changes to the method used to allot FM radio frequencies; changes in broadcast, multiple ownership, foreign ownership, cross-ownership and ownership attribution policies;
- proposals to alter provisions of the tax laws affecting broadcast operations and acquisitions;
- proposals to regulate or prohibit payments to stations by independent record promoters, record labels and others for the inclusion of specific content in broadcast programming;
- proposals to impose spectrum use fees or other fees on FCC licensees;
- changes to allow satellite radio operators to insert local content into their programming service;
- service and technical rules for digital radio, including possible additional public interest requirements for terrestrial digital audio broadcasters; and
- proposals to require radio broadcasters to pay royalties to musicians and record labels for the performance of music played on the stations.

Available Information

Our executive offices are located at 7007 NW 77th Avenue, Miami, Florida 33166 and our telephone number is 305-441-6901. You can find more information about us at our Internet website located at www.spanishbroadcasting.com and the investor relations section of our website is located at www.spanishbroadcasting.com/investor-relations. This Annual Report, our quarterly reports on Form 10-Q, our current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act are available free of charge on our Internet website as soon as reasonably practicable after we electronically file such material with, or furnish such material to, the SEC. The SEC maintains an Internet site (http://www.sec.gov) that contains reports, proxy and information statements and other information regarding issuers that file electronically with the SEC.

The information on our Internet website (including any other reference to such address in this Annual Report) is an inactive textual reference only, meaning that the information contained on or accessible from the website is not, and shall not be deemed to be part of this Annual Report on Form 10-K and is not incorporated by reference in this report or any other filings we make with the SEC.

Item 1A. Risk Factors

The following discussion of risk factors contains "forward-looking statements," as discussed in "Special Note Regarding Forward-Looking Statements." These risk factors are important to understanding this Annual Report, our business and our other filings with the Commission. You should carefully consider the risks and uncertainties described below and the other information in connection with evaluating our business and the forward-looking statements in this Annual Report and our other filings with the Commission. These are not the only risks we face. Additional risks and uncertainties that we are not aware of or that we currently deem immaterial also may impair our business. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected and the trading price of our common stock, preferred stock and debt could decline.

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

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

Risks Related to Our Indebtedness and Preferred Stock

Failure to repay our Notes

The Notes became due on April 17, 2017. Because we did not have sufficient cash on hand and did not generate sufficient cash from operations, the FCC spectrum auction and asset sales, we did not repay the Notes at their maturity. As of the date of the filing of this Annual Report, approximately \$249.9 million in aggregate principal amount of the Notes remains outstanding. While we continue to evaluate all options to effect a successful consensual recapitalization or restructuring of our balance sheet, including a refinancing of the Notes, these efforts have been made more difficult and complex by the ongoing litigation with certain purported holders of our Series B Preferred Stock and uncertainty regarding the resolution of the foreign ownership issue, as described under Part I, Item 1. "Business—Our Continued Recapitalization and Restructuring Efforts." We face various risks in our efforts to refinance the Notes, which are beyond our control, including the inherent difficulty and uncertainty in negotiations with the Noteholders, the availability of the capital markets to allow us access to fresh capital to repay the Notes on attractive terms or at all, and the possibility of an attempt by the Series B preferred stockholders to block our refinancing efforts, among others. In addition, we face several negative effects of the Notes not being refinanced which will continue, and may be exacerbated, the longer it takes to effect that refinancing, as described under Part I, Item 1. "Business—Our Continued Recapitalization and Restructuring Efforts—Continuing Efforts to Refinance the Notes."

We cannot assure you that we will be successful in our recapitalization and restructuring efforts. Our failure to repay the Notes at their maturity resulted in an event of default under the Indenture and the Noteholders are able to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture. The collateral constitutes substantially all of our assets and includes the equity of our subsidiaries that own our FCC licenses, our contractual rights and economic interests in such FCC licenses, and a significant portion of our operating cash. 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 recapitalization and restructuring 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 and restructuring.

In addition, with respect to the announcement on our December 16, 2019 press release, which we summarized above under "Our Continuing Recapitalization and Restructuring Efforts," we cannot assure you that the bank will be successful in raising that financing, that we will be able to raise the additional contemplated first lien asset-based financing or that we will be able to reach agreement that will be acceptable to us.

We face several risks relating to the existence of the Voting Rights Triggering Event.

As a result of our not having sufficient funds legally available to repurchase all of our Series B preferred stock for which repurchases were requested on October 15, 2013, a "Voting Rights Triggering Event" occurred (the "Voting Rights Triggering Event") under the Certificate of Designations under which the Series B preferred stock was issued. For more information regarding the Voting Rights Triggering Event, see Note 10 to our 2019 financial statements that are included elsewhere in this Annual Report. As a result, the holders of the Series B preferred stock have the right to elect two members to our Board of Directors until that event is remedied or the Series B preferred stock is redeemed, waived or amended. Although these directors were elected to the Board of Directors at our Annual Meeting held on June 6, 2014, they both subsequently resigned from their director positions on August 17, 2017. Following these resignations, the holders of the Series B preferred stock to date have not exercised their right to elect two new members to our Board of Directors and those two director positions remain unfilled.

Until the Voting Rights Triggering Event is remedied, our business is subject to significant restrictions, unless such restrictions are waived or amended or our Series B preferred stock is refinanced on different terms. Waiving or amending the restrictions described below would require the consent of each holder of Series B preferred stock affected. Under these restrictions, among other things:

- we are unable to incur any new indebtedness, including indebtedness to refinance the Notes; and
- our ability to make investments or make restricted payments is significantly limited.

Our ability to undertake certain mergers and consolidations requires the approval of a majority of the shares of the then outstanding Series B preferred stock, provided that, after such merger or consolidation no Voting Rights Triggering has occurred or is continuing.

These restrictions could have a material adverse effect on our ability to refinance the Notes and our business, financial condition and results of operations.

The Voting Rights Triggering Event continues 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.

In addition, we are currently engaged in litigation with a group of the purported holders of our Series B preferred stock, as summarized above under Part I, Item 1. "Business— Our Continued Recapitalization and Restructuring Efforts —The Series B Preferred Stock Litigation."

The failure to repay 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 consolidated debt is substantial and we are highly leveraged, which adversely affects our financial condition and limits our ability to grow and compete. In addition, the existence of the Voting Rights Triggering Event hampers our operations, and may give the Series B preferred stockholders a basis to block our ability to refinance the Notes. These factors, as well as the risks summarized in the two preceding risk factors, are considerations that lead to our conclusion that, as an accounting matter, there is substantial doubt about our ability to continue as a going concern.

Upon a change of control, we must offer to repurchase all of the Notes and our Series B preferred stock.

The terms of our Notes and 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 (i) Notes at an offer price in cash equal to 101% of the principal amount plus accrued and unpaid interests to but excluding the purchase date and (ii) 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 cash to purchase the Notes or the Series B preferred stock and we will not likely have in the future sufficient funds legally available to make Series B preferred stock purchases. If we are required to purchase Notes in a change of control purchase offer and we do not do so, then we would be in default under the Indenture, which could lead, after a 30 day grace period, to an event of default under the Indenture and then the right of Noteholders to exercise various remedies against us, including a foreclosure on our assets that constitutes collateral for the Notes. Substantially all of our assets constitute collateral under the Notes.

We have not generated sufficient cash to repay our Notes and our liabilities under our Series B preferred stock, and we may be forced to take other actions to satisfy our obligations under our Notes and Series B preferred stock, which may not be successful.

Our cash flows, capital resources and cash raised from the FCC spectrum auction and asset sales were insufficient to repay our Notes at their maturity and satisfy our obligations under our Series B preferred stock. As a result, we need to refinance the Notes or seek their repayment from a combination of sources, which has not yet occurred and at this time we cannot accurately predict when will we be able to do so, if at all. One consequence of this is that we have been forced to reduce or delay investments, acquisitions, the growth of our business generally and capital expenditures and will continue to be in that position until we address the Notes' maturity. Our monthly cash balances are also significantly less due to the change to pay interest on the Notes on a monthly basis rather than on a semi-annual basis. We face various risks relating to our attempts to sell certain of our assets to raise cash to repay our Notes, including whether we will be able to effect any such sales on attractive terms or at all, the timing of any such sales, their impact on our cash flow and the risks of receiving FCC approval, which we may not be able to obtain. We may not be able to effect any such measures, if necessary, on commercially reasonable terms or at all, and, even if successful, those actions may not allow us to repay our Notes or satisfy our obligations with respect to our Series B preferred stock.

An additional potential consequence is that, if we refinance the Notes, holders of the Series B preferred stock may at the time claim that such refinancing is prohibited by the Certificate of Designations under which the Series B preferred stock was issued. We cannot assure you that we will be able to find sources of cash to pay the Notes. See "—Failure to repay our Notes."

In addition, we conduct a substantial portion of our operations and own substantive assets through our subsidiaries. Accordingly, repayment of our Notes and satisfying our obligations under our Series B preferred stock is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our Notes. Each subsidiary

is a distinct legal entity, and under certain circumstances, legal, tax and contractual restrictions may limit our ability to obtain cash from our subsidiaries. While the Indenture limits the ability of our subsidiaries to incur consensual restrictions on their ability to pay dividends or make other intercompany payments to us, these limitations are subject to qualifications and exceptions. In the event that we do not receive distributions from our subsidiaries, we may be unable to make required payments on the Notes.

Our inability to generate sufficient cash flows or sell assets to repay our Notes, or to refinance our Notes and satisfy our obligations under the Series B preferred stock on commercially reasonable terms or at all, would materially and adversely affect our financial condition and results of operations.

We are highly leveraged and our substantial level of indebtedness adversely affects our financial condition and prevents us from fulfilling our financial obligations.

As of December 31, 2019, we had \$249.9 million of total debt outstanding which does not include the \$185.0 million outstanding under the Series B preferred stock (comprised of approximately \$90.5 million in liquidation preference and approximately \$94.5 million in accrued dividends). Such amount outstanding under our Series B preferred stock is accounted for as a liability under generally accepted accounting principles in the United States. Our high indebtedness has had and will continue to have significant effect on our business. Our indebtedness, the terms of the Indenture and the existence of a Voting Rights Triggering Event have had and will continue to have several negative effects on us and creates several risks, including the following:

- we did not repay the Notes at their maturity, as a result of which there was and continues to be an event of default under the Indenture;
- requires us to use a substantial portion of our cash flow from operations to pay interest at a rate of 12.5% per year on our Notes, which reduces the funds available for the implementation of our strategy, particularly regarding acquisitions and investments and more generally for working capital, capital expenditures and other general corporate purposes;
- limits our ability to obtain additional financing for acquisitions and investments, working capital, capital expenditures, or general corporate purposes, which may limit the ability to execute our business strategy;
- prevents us from raising the funds necessary to repurchase Notes tendered to us if there is a change of control or other event requiring such a repurchase, and any failure to repurchase Notes tendered for repurchase would constitute a default under the Indenture:
- heightens our vulnerability to downturns in our business, our industry or in the general economy and restrict us from exploiting business opportunities or making acquisitions;
- places us at a competitive disadvantage compared to our competitors that may have proportionately less debt and are not in default as we are;
- limits management's discretion in operating our business; and
- limits our flexibility in planning for, or reacting to, changes in our business, the industry in which we operate or the general economy, or unexpected crises such as the recent outbreak of the COVID-19 coronavirus.

Each of these factors may have a material adverse effect on our business, financial condition and results of operations. We do not currently have sufficient cash on hand and we did not generate sufficient cash from operations or the sale of assets or as a result of the Broadcast Incentive Auction to pay the Notes at maturity. See "—Failure to repay our Notes".

The terms of the Indenture and the Certificate of Designations for the Series B preferred stock restrict our current and future operations.

The terms of the Indenture and the Certificate of Designations for the Series B preferred stock contain restrictive covenants that impose significant restrictions on us and may limit, or prevent, our ability to engage in acts that may be in our long-term best interest, including restrictions or prohibitions on our ability to:

- incur or guarantee additional indebtedness, including indebtedness to refinance the Notes;
- pay dividends or make other distributions, repurchase or redeem our capital stock and make certain restricted investments and make other restricted payments;
- sell assets;
- incur liens;
- enter into transactions with affiliates;
- enter into sale and leaseback transactions;

- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends, make loans and sell assets to the Company and other restricted subsidiaries;
- enter into change of control transactions;
- manage our FCC licenses and broadcast license subsidiaries; and
- consolidate, merge or sell all or substantially all of our assets.

As a result of these restrictions, we are:

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

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

Risks Related to Our Business

We face several risks regarding the foreign ownership issue.

In light of the foreign ownership issue we summarize above under Part I, Item I, "Business—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue" and Part I, Item I, "Federal Regulation of Radio and Television Broadcasting—Foreign Ownership," under the Communications Act, FCC regulations and our Charter, we face several risks. As a general matter and because of this foreign ownership issue, we have taken the following steps:

- As a publicly traded company we review Commission filings by third parties regarding the ownership of our securities, though we are dependent in this regard on timely disclosures by third parties and may not be able to determine with certainty the exact amount of our stock that is held by foreign persons or entities at any given time.
- On November 28, 2017, we notified the purported holders of our Series B preferred stock that we had suspended all of their rights, effective immediately, other than their right to transfer such shares to a citizen of the United States, due to the potential violation of Section 310 of the Communications Act and our Charter resulting from the ownership of a majority of our outstanding Series B preferred stock by foreign persons.
- We filed Current Reports on Form 8-K on November 28, 2017 and March 26, 2018 with the Commission to publicize and explain the foreign ownership issue and the suspension of rights, among other things.
- In order to comply with the FCC's rules establishing procedures to remediate inadvertent noncompliance with the foreign ownership rules, and upon the advice of FCC staff, we also filed a petition for declaratory ruling on December 4, 2017 which we summarize above under "Federal Regulation of Radio and Television Broadcasting Foreign Ownership." This petition is currently in abeyance pending resolution of the Series B Preferred Stock Litigation.
- On April 27, 2018, we issued Notices of Ineffective Purported Purchase of Series B Preferred Stock to four investors notifying them that their claimed ownership of our outstanding Series B preferred stock shall, after the date of these notices, be treated as void and non-existent, unless and until these investors can demonstrate facts to the contrary supported by relevant documentation, because they attempted to acquire these shares in transactions that, if given effect, would have violated the limitations in our Charter regarding foreign ownership, as summarized under Part I, Item 1, "Business—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue." As of the date of this Annual Report, these investors have not provided us with any facts or provided any documentation that would support a different legal conclusion.

We took these actions in order to safeguard our most important assets, our FCC broadcast licenses, which would otherwise potentially be at risk if we failed to take appropriate measures to remain in compliance with the Communications Act.

On December 6, 2018, we received a letter from the Enforcement Bureau of the Investigations and Hearings Division (the "Bureau") of the FCC advising us that we were under investigation for potential violations of Section 310(b) of the Communications Act, related to excess foreign ownership of broadcast stations. As part of its investigation, the Bureau requested of the company detailed information and supporting documentation about the identities of the Series B preferred stockholders, the potential for a

foreign ownership violation, the dates that the Company became aware of the situation, and the steps the Company took to address the situation. We timely filed our response to the Bureau's letter of inquiry on February 8, 2019. As of the date of this Annual Report, we have not received a response or any additional inquiries from the Bureau regarding this investigation.

A failure to comply with applicable restrictions on ownership by foreign persons could result in an order to divest the non-compliant ownership, fines, denial of license renewal and/or spectrum license revocation proceedings, any of which would likely have a material adverse effect on our business, financial condition and results of operations. An FCC ruling denying the relief we requested in our petition for a declaratory ruling could require that we initiate legal proceedings to enforce the protective provisions set forth in our Charter to comply with the foreign ownership provisions of our Charter and the Communications Act, which may take many forms. Further, the FCC could impose a monetary penalty against us and other significant enforcement penalties if the FCC concludes that we were not in compliance with the Communications Act. Any of these would likely have a material adverse effect on our business, financial condition and results of operations.

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

We have historically experienced pre-tax net losses in the past. Failure to achieve sustained profitability may adversely affect our ability to raise additional capital and our ability to meet our obligations. Our inability to obtain financing in adequate amounts and on acceptable terms necessary to operate our business, repay our 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 doubts about our ability to continue as a going concern.

We face several risks relating to our NOL carry-forwards.

We face several risks to our federal and state NOL carry-forwards that were generated from prior period losses. As of December 31, 2019, these NOL carry-forwards amounted to \$92.1 million and \$91.3 million, respectively, after giving effect to the increases described in Note 13 (Income Taxes) to the Consolidated Financial Statements included elsewhere in this Annual Report.

NOL carryforwards generated after 2018 can be carried forward indefinitely. Pre-tax reform NOL carry-forwards may expire unused and be unavailable to offset future income tax liabilities. They expire in 2019 through 2037. Based on current information and expectations, it is more likely than not that the Company will not realize the use of all these NOL carry-forwards in the future because it may not generate future taxable income sufficient to use them all prior to expiration. As such, at December 31, 2019, the Company has provided a valuation allowance on substantially all of these NOL carry-forward deferred tax assets. See Note 13 (Income Taxes) to the Consolidated Financial Statements included elsewhere in this Annual Report.

We face the risk that current and future NOL carry-forwards will become subject to limitation under Section 382 of the Internal Revenue Code of 1986, as amended ("Section 382"), and related Treasury Regulations. As a general matter, our ability to utilize NOL carry-forwards or other tax attributes in any taxable year may be limited if we experience an ownership change for purposes of Section 382. A Section 382 ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year testing period. Similar rules may apply under state tax laws. In 2017, we determined that we underwent ownership changes in 2013 and 2017, which reduced available NOL carry-forwards, as described in Note 13 to the Consolidated Financial Statements included elsewhere in this Annual Report. We may undergo further, future ownership changes for purposes of Section 382. The risk of such ownership changes is beyond the ability of the Company to control. Such ownership changes could result from future issuances by the Company or sales of our capital stock by and among third parties, including transfers of our Series B preferred stock. The foreign ownership issue regarding our Series B preferred stock, which we describe under "Part 1. Item 1, Business—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue," could well make the determination of an ownership change "for purposes of Section 382 more complex and difficult to make. It is possible that any ownership change could materially reduce our ability to use our NOL carry-forwards or other tax attributes to offset taxable income, which could require us to pay more income taxes than if we were able to fully utilize our NOL carry-forwards.

Finally, we face several risks regarding the Tax Cuts and Jobs Act (the "Tax Legislation"). The impact included a provision to reduce the federal corporate income tax rate to 21% and restrictions on our ability to deduct interest expense and to use future generated NOLs to offset future generated income, among other things. Accordingly, the Tax Legislation, as well as any additional tax reform legislation in the United States or elsewhere or future regulations or interpretations of the Tax Legislation, could affect our business and financial condition by, among other things, decreasing the value of our NOL carry-forwards. In addition, assessing the overall impact of this and other legislation on the value of our NOL carry-forwards is difficult to do for several reasons, including due to the difficulty of making projections of future taxable income.

The risks we summarize above are beyond our ability to control and could have a material adverse impact on our results of operations, financial condition and business.

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

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

Although we believe that each of our broadcast stations is able to compete effectively in its respective market, our stations may be unable to maintain or increase their current audience ratings and advertising revenues. Specifically, radio stations can change formats quickly. Any other radio station currently broadcasting could shift its format to duplicate the format of, or develop a format which is more popular than, any of our stations. If a station converts its programming to a format similar to that of one of our stations, or if one of our competitors strengthens its operations, the ratings and station operating income of our station in that market could be adversely affected. Further, we could also lose some of our on-air personalities, which may adversely affect our competitive position in those markets. In addition, other radio companies which are larger and have greater financial and other resources than we have may also enter markets in which we operate. A bankruptcy filing could also have an adverse impact on our advertising revenue as advertisers may decide to advertise with our competitors due to any ongoing business uncertainty that may result from such bankruptcy filing. See "—Failure to repay our Notes."

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

COVID-19 will likely have a negative effect on our business, financial position, results of operations, liquidity or cash flows but it is difficult to predict that impact with certainty.

Given the nature of our business, COVID-19, also known as the Coronavirus, will likely have a negative effect on our business, though it is difficult to predict with certainty or precision the degree of impact. Advertising revenue, and in particular cash advertising sales, makes up the majority of our revenue, and, like other radio and TV broadcast companies and similar businesses that depend on advertising spend, we expect to experience a decline in this revenue stream due to COVID-19. In response to this current health crisis, governmental authorities have imposed certain restrictions, including travel bans and recommendations on the limitation of social gatherings. The health dangers of COVID-19, the length of time it will last, the impact these things will have on the general economy and in the markets in which operate are unknowns at this time, and may be unknown for some time to come. While we believe that our radio and TV businesses will prove ultimately resilient in the face of a possible recession, the factors mentioned in the last sentence make it difficult to predict with certainty or precision the negative impact of COVID-19 on our business, financial position, results of operations, liquidity or cash flows, and that impact could be material.

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

Our New York, Los Angeles and Miami markets accounted for more than 65% of our net revenue for the year ended December 31, 2019. Therefore, any volatility in our revenues or operating income attributable to stations in these markets could have a significant adverse effect on our consolidated net revenue or operating income. A significant decline in net revenue or operating income from our stations in any of these markets could have a material adverse effect on our financial condition and results of operations. The recent uncertainty surrounding the public health concerns over the global outbreak of COVID-19 have caused significant disruptions in these markets and uncertainty in their economic outlook.

Since our revenues are concentrated in these markets, an economic downturn, increased competition or another significant negative event in any of these markets, including the recent outbreak of COVID-19, could reduce our revenues and results of operations more dramatically than other companies that do not depend as much on these markets.

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

We do not generally obtain long-term commitments from our advertisers. As a result, our advertisers may cancel, reduce or postpone orders. Cancellations, reductions or delays in purchases of advertising time could adversely affect our net revenue, especially if we are unable to replace these purchases. The recent uncertainty surrounding the public health concerns over the global outbreak of COVID-19 have caused significant disruptions and uncertainty in the financial markets and global economic outlook. These economic conditions, including lower economic growth rates, may remain uncertain for the foreseeable future. We believe that as a result, our customers may alter their purchasing activities in response to the current and future economic environments, and, among other things, our customers may change or scale back future purchases of advertising leading to increased cancellations, reductions or postponed orders. Our expense levels are based, in part, on expected future net revenues and are relatively fixed once set. Therefore, unforeseen decreases in advertising sales could have a material adverse impact on our net revenues and operating income.

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

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

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

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

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

In 2019, our television segment was profitable and we recorded positive consolidated operating income for our television segment under our Indenture, however, we may not achieve profitability in the future. We cannot assure you that we will be able to attract viewers and advertisers to our broadcast television operation. If we cannot attract viewers, our television operation may suffer from low ratings, which in turn may deter potential advertisers. The inability to successfully attract viewers and advertisers may adversely affect our revenue and operating results for our television operation. Television programming is a highly competitive business. Television stations compete in their respective markets for audiences and advertising revenues with other stations and larger, more established networks. As a result of this competition, our rating share may not grow, and an adverse change in our local markets could have a material adverse impact on the revenue of our television operation.

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

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

Our MegaTV television operation has entered into station distribution agreements that allow us to serve markets representing over 3.1 million Hispanic households. If our distribution agreements are terminated or not extended, our ability to reach our viewers and receive licensing fees may be adversely affected, which could adversely affect our business, financial condition and results of operations. Although we expect to renew these agreements or make other arrangements to reach viewers, there is no assurance that we will be able to do so. We receive advertising inventory from our affiliated stations, either in the form of stand-alone advertising time within a specified time period or commercials inserted by MegaTV into its programming. In addition, primarily with respect to Multichannel Video Programming Distributors, we receive a fee for providing such programming. The loss of distribution agreements

of our MegaTV television operation could adversely affect our results of operations by reducing the reach of our network programming and, therefore, its attractiveness to advertisers. Renewal on less favorable terms may also adversely affect our results of operations through the reduction of advertising revenue and fees.

Our business is affected by natural catastrophes that can disrupt our operations, including by causing failure or destruction of satellites and transmitter facilities that we depend upon to distribute our programming.

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

We may incur property and other losses that are not adequately covered by insurance.

Although we maintain insurance that we believe is customary and appropriate for our business, we cannot assure you that insurance will be available or adequate to cover all losses and damage to which our business or our assets might be subjected. The lack of adequate insurance for certain types or levels of risk could expose us to significant losses in the event that a catastrophe occurred for which we are uninsured or underinsured. Any losses we incur that are not adequately covered by insurance may decrease our future operating income, require us to find replacements or repairs for destroyed property and reduce the funds available for payments of our obligations. We renew our insurance policies on an annual basis. The cost of coverage may become so high that we may need to further reduce our policy limits, further increase our deductibles, or agree to certain exclusions from our coverage.

We must respond to rapid changes in technology, content creation, services and standards in order to remain competitive.

Video, telecommunications, radio and data services technologies used in the entertainment industry are changing rapidly. Advances in technologies or alternative methods of product delivery or storage, or certain changes in consumer behavior driven by these or other technologies and methods of delivery and storage, could have a negative effect on our businesses. Examples of the foregoing include the convergence of television broadcasts and online delivery of programming to televisions and other devices, video-on-demand platforms, tablets, satellite radio, user-generated content sites, Internet and mobile distribution of video content via streaming and downloading, and place-shifting of content from the home to portable devices on which content is viewable outside the home. For example, devices that allow users to view or listen to television or radio programs on a time-delayed basis; technologies, such as DVRs, that enable users to fast-forward or skip advertisements or increase the sharing of subscription content; systems that allow users to access our copyrighted product over the Internet or other media; and portable digital devices and systems that enable users to view programming or store or make portable copies of programming, may cause changes in consumer behavior that could affect the attractiveness of our offerings to advertisers and adversely affect our revenues. Also, the growing uses of user-generated content sites and live and stored video streaming sites, which deliver unauthorized copies of copyrighted content, including those emanating from other countries in various languages, may adversely impact our businesses. In addition, further increases in the use of Internet-connected television or other digital devices, which allow users to consume content of their own choosing, in their own time and remote locations while avoiding traditional commercial advertisements or subscription payments, could adversely affect our radio and television broadcasting advertising and subscription revenues. Users who reduce, cancel or never had cable television subscription services are also known as "cord-cutters" or "cord-nevers". Cable providers and DBS operators are developing new techniques that allow them to transmit more channels on their existing equipment to highly targeted audiences, reducing the cost of creating channels and potentially leading to the division of the television marketplace into more specialized niche audiences. More television and video programming options increase competition for viewers and competitors targeting programming to narrowly defined audiences may gain an advantage over us for television advertising and subscription revenues. Television manufacturers, cable providers and others are developing and offering technology to enable viewers to locate digital copies of programming from the Internet to view on television monitors or other devices, which could diminish viewership of our programming. Generally, changing consumer behavior may impact our traditional distribution methods, for example, by reducing viewership of our programming, which could have an adverse impact on our revenues and profitability. Anticipating and adapting to changes in technology on a timely basis and exploiting new sources of revenue from these changes will affect our ability to continue to increase our revenue. Our inability to successfully implement our recapitalization strategy may adversely affect our ability to respond and adapt to changes in technology on a timely basis or at all.

Cybersecurity risks could affect our operations and adversely affect our business.

We are dependent on the security and reliability of information and communications technology, systems, networks and the Internet. We rely on our information technology systems and those of third-party providers to manage our business data, communications, advertising content, order entry, and other business processes. Additionally, our information technology systems and processes need to support the future growth of our business and require modifications or upgrades, from time to time. Such use and development exposes us to potential computer system and network failures and cyber incidents, resulting from deliberate attacks or unintentional events caused by circumstances beyond our control, including power outages, catastrophic events and natural disasters. We therefore face the risk of an event or attack, resulting in remediation costs, increased cyber security protection costs, lost revenue, legal risks and reputational damage. Despite our security measures, we have been the target of cyber-attacks, including phishing attacks, ransomware attacks, and future attacks are likely to occur including network and information systems-related events, such as computer hackings, cyber threats, security breaches, viruses or other destructive or disruptive software, process breakdowns, or malicious other activities. While no cyber-attack has had a material impact on the Company thus far, if successful, these attacks could also result in unauthorized access and disclosure of nonpublic corporate or personal information and other sensitive information, the adverse disruption of our services and operations, misstated financial information, liability for stolen assets or information and financial consequences which may have an adverse effect on our financial condition, results of operations and cash flows.

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

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

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

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

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

As of December 31, 2019, we had approximately \$344.1 million of unamortized intangible assets, including goodwill of \$32.8 million and FCC broadcast licenses of \$311.3 million on our consolidated balance sheet. These unamortized intangible assets represented approximately 73% of our total assets. Accounting standards require that goodwill and other intangible assets deemed to have indefinite useful lives, such as FCC broadcast licenses, are not amortized. Accounting standards require that goodwill and certain intangible assets be tested at least annually for impairment. If we find that the carrying value of goodwill or FCC broadcast licenses exceeds their fair value, we will reduce the carrying value of the goodwill or intangible asset to the fair value and will recognize an impairment loss in our results of operations.

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

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

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

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

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

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

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

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

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

Raúl Alarcón, the Chairman of our Board of Directors, Chief Executive Officer and President, has majority voting control 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.

Raúl Alarcón, Chairman of our Board of Directors, Chief Executive Officer and President, beneficially owns shares of common stock representing approximately 85% of the combined voting power of our outstanding shares of common stock as of December 31, 2019. Such combined voting power includes Mr. Alarcón's voting control over 380,000 shares of Series C preferred stock (convertible into 760,000 shares of Class A common stock) pursuant to his capacity as trustee for the AAA Trust. As a result, Mr. Alarcón generally has the ability to control the outcome of all matters requiring stockholder approval, including the election of our entire Board of Directors, mergers and acquisitions and sales of all or substantially all of our assets, and our recapitalization strategy. Mr. Alarcón's voting power may allow him to have a greater influence on our corporate strategy than other equity holders.

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

Because our stock currently trades below \$5.00 per share, and is quoted on the OTCQB Venture Market, our stock is considered a "penny stock" which can adversely affect its liquidity.

As the trading price of our common stock is less than \$5.00 per share, our common stock is considered a "penny stock," and trading in our common stock is subject to the requirements of Rule 15g-9 under the Exchange Act. Under this rule, broker/dealers who recommend low-priced securities to persons other than established customers and accredited investors must satisfy special sales practice requirements. The broker/dealer must make an individualized written suitability determination for the purchaser and receive the purchaser's written consent prior to the transaction.

Securities and Exchange Commission regulations also require additional disclosure in connection with any trades involving a "penny stock," including the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and its associated risks. These requirements severely limit the liquidity of our common stock in the secondary market because few brokers or dealers are likely to undertake these compliance activities. Purchasers of our common stock may find it difficult to resell the shares in the secondary market.

There may not be sufficient liquidity in the market for our securities in order for investors to sell their securities. The market price of our common stock may be volatile.

While our common stock is quoted on the OTCQB Venture Market of the OTC Markets, our common stock is thinly traded and should be considered an illiquid investment. The market price of our common stock will likely be highly volatile, as is the stock market in general, and the market for over the counter quoted stocks in particular. Some of the factors that may materially affect the market price of our common stock are beyond our control, such as conditions or trends in the industry in which we operate or sales of our common stock. These factors may materially adversely affect the market price of our common stock, regardless of our performance. In addition, the illiquidity and volatility of our common stock may make it more difficult for us to raise additional capital or successfully implement our recapitalization strategy will likely continue to adversely affect our ability to execute our long-term business strategy, including any efforts to use equity capital to finance selective acquisitions, reduce our indebtedness or fund our operations.

Risks Related to Legislative and Regulatory Matters

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

The television and radio broadcasting and distribution industries in the United States are highly regulated by U.S. federal laws and regulations issued and administered by various federal agencies, including the FCC. The television and radio broadcasting industry is subject to extensive regulation by the FCC under the Communications Act. For example, we are required to obtain, and periodically renew, licenses from the FCC to operate our radio and television stations. The FCC may not approve our future renewal applications, or it may approve them for less than the full term or subject to conditions or qualifications. Although a station can continue to operate under its expired license pursuant to FCC rules until the FCC takes action on its renewal application and the FCC grants renewal of broadcast licenses in the great majority of cases, we cannot be assured that our licenses will be renewed on favorable terms or at all in future renewal cycles. The non-renewal, or renewal with substantial conditions or modifications, of one or more of our licenses could have a material adverse effect on our business, financial condition, results of operations and cash flows.

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

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

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

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

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

The FCC's rules and regulations prohibit the broadcast of obscene material at any time and indecent or profane material between the hours of 6:00 a.m. and 10:00 p.m. Broadcasters risk violating the prohibition against broadcasting indecent/profane material because of the vagueness of the FCC's indecency/profanity definition, coupled with the spontaneity of live programming. The FCC vigorously pursues its enforcement activities as they apply to indecency and has threatened on more than one occasion to initiate license revocation or license renewal proceedings against a broadcast licensee who commits a "serious" indecency violation. The FCC has substantially increased its monetary penalties for violations of these regulations pursuant to law enacted in 2006 that provides the FCC with authority to impose fines of up to \$414,454 per incident or profane utterance with a maximum forfeiture exposure of \$3,825,726 for any continuing violation arising from a single act or failure to act. Moreover, the FCC has in some instances imposed separate fines for each allegedly indecent "utterance," in contrast with its previous policy, which generally considered all indecent words or phrases within a given program as constituting a single violation.

In July 2010, the Second Circuit issued a decision in which it vacated the FCC's indecency policy as unconstitutional. In June 2012, the Supreme Court issued a decision which held that the FCC could not fine ABC and Fox for the specific broadcasts at issue in that case because the FCC had not provided them with sufficient notice of its intent to issue fines for the use of fleeting expletives. However, the Court did not make any substantive ruling regarding the FCC's indecency standards. In April 2013, the FCC requested comments on its indecency policy, including whether it should ban the use of fleeting expletives or whether it should only impose fines for broadcasts that involve repeated and deliberate use of expletives. The FCC has advised that it will continue to pursue enforcement actions in egregious cases while it conducts its review of its indecency policies generally and in 2015 issued a Notice of Apparent Liability for the then-maximum forfeiture amount of \$325,000 against a television station for violation of its indecency policy. We cannot predict whether Congress will consider or adopt further legislation in this area.

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

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

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

Further, the FCC has a general policy restricting the transferability of a station license while a renewal application for that station is pending, and we must comply with extensive FCC regulations and policies governing the ownership and operation of our stations. FCC regulations limit the number of radio and television stations that a licensee can own in a market, which could restrict our ability to consummate future transactions. The FCC's rules governing our radio station operations impose costs on their operations, and changes in those rules could have an adverse effect on our business, financial condition, results of operations and cash flows. The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. If the FCC relaxes these technical requirements, it could impair the signals transmitted by our radio stations and could have a material adverse effect on our business, financial condition, results of operations and cash flows. In addition, the FCC has recently increased its enforcement of certain regulations, including regulations requiring a radio station to include an on-air announcement which identifies the sponsor of all advertisements and other matter broadcast by any radio station for which any money, service or other valuable consideration is received, and for failure to comply with requirements regarding the maintenance of public inspection files for each radio station, which are maintained on an FCC database and therefore are easily accessible by members of the public and the FCC. Moreover, governmental regulations and policies may change over time, and the changes may have a material adverse impact upon our business, financial condition and results of operations.

See also "—We face several risks regarding the foreign ownership issue."

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

The Communications Act and FCC rules and policies limit the number of broadcasting properties that any person or entity may own (directly or by attribution) in any market and require FCC approval for transfers of control and assignments of licenses. The FCC's media ownership rules remain in flux and subject to further agency and court proceedings. The FCC is required to review quadrennially the following media ownership rules and to modify, repeal or retain any rules as it determines to be in the public interest. In addition to the FCC media ownership rules, the outside media interests of our officers and directors could limit our ability to acquire stations. The filing of petitions or complaints against us or any of our license-holding subsidiaries, or any FCC licenses from which we are acquiring a station, could result in the FCC delaying the grant of, or refusing to grant or imposing conditions on, its consent to the assignment or transfer of control of licenses. In addition, where proposed acquisitions might result in local radio

advertising revenue concentration, the DOJ and/or the FTC could undertake their own reviews and could attempt to block or place restrictions or conditions on such transactions.

We may be adversely affected by comprehensive tax reform.

On December 22, 2017, the Tax Legislation was signed into law. The Tax Legislation contains significant changes to corporate taxation, including reduction of the corporate tax rate from 35% to 21%, additional limitations on the tax deductibility of interest, substantial changes to the taxation of foreign earnings such as a tax on income in excess of a deemed return on tangible assets (i.e., global intangible low-taxed income or "GILTI"), immediate deductions for certain new investments instead of deductions for depreciation expense over time, and the modification or repeal of many business deductions and credits.

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

	Aggregate size		
	of property in		Lease
	square feet	Owned or	expiration
Location	(approximate) (1)	leased	date
Miami, FL (2)	70,000	Owned	N/A
Guaynabo, PR (3)	29,000	Owned	N/A
Los Angeles, CA (4)	10,900	Leased	9/30/2027

- (1) Excludes properties owned or leased that are less than 10,000 square feet.
- (2) Facility is used as the principal site for our television, digital and Miami radio studios, production, operation, and sales offices. Our corporate offices are also in this facility.
- (3) Facility is used for the offices, operations and studios of our Puerto Rico broadcast stations, television operations and certain digital operations.
- (4) Facility is used for the offices and studios for our Los Angeles radio stations and certain digital operations.

In addition, we own the transmitter sites for three of our eight radio stations in Puerto Rico. We lease (i) all of our other transmitter sites, with lease terms that expire between 2020 and 2082, assuming all renewal options are exercised, and (ii) the office and studio facilities for our radio stations in New York, Chicago, San Francisco and Houston. We lease transmitter and some backup facilities for our stations WSKQ-FM and WPAT-FM in New York, KLAX-FM and KXOL-FM in Los Angeles, WLEY-FM in Chicago, WRMA-FM, WCMQ-FM and WXDJ-FM in Miami, and KRZZ-FM in San Francisco. We own a back-up transmitter site in San Juan, Puerto Rico for any of our four radio stations covering the San Juan metropolitan area. The backup transmitter facilities are part of our disaster recovery plan to continue broadcasting to the public and to maintain our stations' revenue streams in the event of an emergency.

We own most of the properties used for the operations of our television stations. These properties include offices, studios, master control and production facilities located in Miami and Puerto Rico. We lease a combined studio and tower site in Key West, Florida for WSBS-TV, a transmitter site for WSBS-CD, in Pembroke Park, Florida, a transmitter site for KTBU-TV in Missouri City, Texas and four separate transmitter or auxiliary sites for WTCV-DT, WVEO-DT and WVOZ-DT, in San Juan, Mayaguez and Ponce, Puerto Rico, respectively. On March 23, 2019, the Company sold its FCC license and certain assets related to the transmission of its KTBU-TV signal; as part of this asset sale the related lease in Missouri City, Texas; was assigned to the buyer. In addition, we currently lease office space in Houston, Texas for KTBU-TV, which houses our sales offices and operations.

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

Item 3. Legal Proceedings

From time to time we are involved in various routine legal and administrative proceedings and litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. In recent years, we have been subject to administrative proceedings and lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace, wage-hour and employment discrimination matters. In the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition, as further described in note 15 of the 2019 financial statements.

Series B Preferred Stock Litigation

In addition, we are involved in litigation with certain purported holders of our Series B preferred stock described in more detail in Part I, Item I. "Business, Our Continued Recapitalization and Restructuring Efforts—The Series B Preferred Stock Litigation." and as further described in note 15 of the 2019 financial statements.

Item 4. Mine Safety Disclosures

None.

PART II

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

(a) Market Information

On March 14, 2018 our Class A common stock was moved from the OTCQX® Best Market (U.S. Tier) to the OTCQB Venture Market and began trading under the same symbol "SBSAA". The table below shows, for the quarters indicated, the reported high and low bid quotes for our Class A common stock on the OTCQX® Best Market (U.S. Tier) and the OTCQB Venture Market.

	 2019)	2018	3
	High	Low	High	Low
First quarter	\$ 0.25	0.13	\$ 0.62	0.27
Second quarter	0.33	0.13	0.55	0.27
Third quarter	0.26	0.17	0.40	0.14
Fourth quarter	0.34	0.13	0.40	0.13

(b) Record Holders

As of March 23, 2020, there were approximately 86 record holders of our Class A common stock, three record holders of our Class B common stock and one record holder of our Series C preferred stock. These figures do not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. There is no established public trading market for our Class B common stock or our Series C preferred stock. Our Class B common stock is convertible into our Class A common stock on a share-for-share basis, and each share of the Series C preferred stock is convertible into two shares of Class A common stock.

(c) Dividends

We have not declared or paid any cash or stock dividends on any class of our common stock in the last three years and we do not expect to pay dividends for the foreseeable future. We intend to retain future earnings for use in our business. Under the Indenture, we are restricted from paying dividends or equity securities, and, due to the Voting Rights Triggering Event, we are not permitted to declare or pay any cash or stock dividends on shares of our Class A or Class B common stock until the Voting Rights Triggering Event is remedied or waived. If we were no longer restricted from paying dividends under the Indenture and the Voting Rights Triggering Event were no longer in effect, any determination to declare and pay dividends would be made by our Board of Directors based upon our earnings, financial position, capital requirements and other factors that our Board of Directors deem relevant.

Under the terms of our Series B preferred stock, the holders of the outstanding shares of the Series B preferred stock are entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, dividends on the Series B preferred stock at a rate of 10 3/4% per year, of the \$1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates.

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

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

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

See Part I, Item 1A. Risk Factors of this Annual Report for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

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

(d) Equity Compensation Plans and Other Equity Compensation

The following table sets forth, as of December 31, 2019, the number of securities outstanding under our equity compensation plans, the weighted-average exercise price of such securities and the number of securities available for grant under these plans:

	Number of Shares			
	to be Issued	V	Veighted-Average	Number of Securities
	Upon	Upon Exercise		Remaining Available
	Exercise of	Exercise of Price of		for Future Issuance
	Outstanding		Outstanding	Under Equity
	Options,		Options,	Compensation Plans
	Warrants		Warrants	(excluding
Category	and Rights		and Rights	Column (a))
Equity Compensation Plans Approved by				
Stockholders:				
2006 Omnibus Equity Compensation Plan (1)	285,000	\$	3.49	
Equity Compensation Not Approved by				
Stockholders:				
Non-Qualified Employee Inducement Award	150,000		1.60	
Total	435,000			

⁽¹⁾ The 2006 Omnibus Equity Compensation Plan expired on July 17, 2016 and no further share-based awards can be granted under this plan.

Recent Sales of Unregistered Securities

We have not made any sales of unregistered equity securities for the period covered by this Annual Report.

Issuer Purchases of Equity Securities

We did not repurchase any of our outstanding equity securities for the period covered by this Annual Report.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

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

General Overview

We 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 some of the top 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 275 affiliate radio stations serving 87 of the top 100 U.S. Hispanic markets, including 47 of the top 50 Hispanic markets. AIRE Radio Networks currently covers 95% of the coveted U.S. Hispanic market. Our AIRE Radio Networks reach over 15 million listeners in an average week with our targeted networks. For the years ended 2019 and 2018, our radio revenue was generated primarily from the sale of local, national, network and digital advertising, and our radio segment generated 90% and 89% our consolidated net revenue, respectively.

Our television stations and related affiliates operate under the "MegaTV" brand. During 2019, we broadcasted via our owned and operated television stations in South Florida, Houston and Puerto Rico and through programming and/or distribution agreements, including nationally on a subscriber basis, which allow us to serve markets representing over 3.1 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, news, 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 65 hours of original programming per week. For the years ended 2019 and 2018, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 10% and 11% 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.

Our Continued Recapitalization and Restructuring Efforts

We have not repaid our outstanding Notes and continue to evaluate all options to effect a successful recapitalization or restructuring of our balance sheet, including a refinancing of the Notes. Our refinancing efforts have been made more difficult and complex with the litigation with certain purported holders of our Series B preferred stock and the foreign ownership issue. We provide more information about each of these items under Part I, Item 1. "Business—Our Continued Recapitalization and Restructuring Efforts," and under "—Liquidity and Capital Resources" below.

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 and digital revenue generally consists of advertising airtime sold in a station's local market, as well as the sale of
 advertising airtime during the streaming of our radio stations, the LaMusica application and our websites either directly to the
 advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and
 paid-programming (or infomercials). For the years ended 2019 and 2018, local and digital revenue comprised 68% and 69% 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. Network sales consist of advertising airtime sold on our AIRE Radio Network platform by our network sales staff. For the years ended 2019 and 2018, national and network revenue comprised 18% and 19% 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, and other revenue.

- Barter sales. We use barter sales agreements to reduce cash paid for operating costs and expenses by exchanging advertising
 airtime for goods or services. However, we endeavor to minimize barter revenue in order to maximize cash revenue from our
 available airtime. For the years ended 2019 and 2018, barter revenue comprised 5% and 4% of our gross revenues, respectively.
- Special events revenue. We generate special events revenue from ticket sales, as well as profit-sharing arrangements by producing or co-producing live concerts and events promoted by our radio and television stations. For the years ended 2019 and 2018, special events revenue comprised 5% and 4% of our gross revenues, respectively.
- Other revenue. We receive other ancillary revenue such as syndication revenue from licensing various MegaTV content, subscriber revenue paid to us by cable and satellite providers, and rental income from renting available tower space or subchannels. For the years ended 2019 and 2018, other revenue comprised 4% of our gross revenues.

Operating Expenses Description and Factors

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

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

Outbreak of COVID-19 Coronavirus

The recent global outbreak of COVID-19 has disrupted economic markets and the economic impact, duration and spread of the COVID-19 virus is uncertain at this time. In response to this current health crisis, governmental authorities have imposed certain restrictions, including travel bans and recommendations on the limitation of social gatherings. Our operational and financial performance may be significantly impacted by COVID-19, however it is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, financial position, results of operations, liquidity or cash flows, at this time. See "Risk Factors—COVID-19 will likely have a negative effect on our business, financial position, results of operations, liquidity or cash flows but it is difficult to predict that impact with certainty."

Year Ended 2019 Compared to Year Ended 2018

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

Year Ended

		Year Ended December 31,			
		2019	<i>K</i> 1 31,	2018	
Net revenue:					
Radio	\$	140,385	\$	126,399	
Television		16,280		15,970	
Consolidated	\$	156,665	\$	142,369	
Engineering and programming expenses:					
Radio	\$	22,283	\$	21,101	
Television		6,598		4,715	
Consolidated	\$	28,881	\$	25,816	
Selling, general and administrative expenses:					
Radio	\$	58,351	\$	49,585	
Television		6,441		6,387	
Consolidated	\$	64,792	\$	55,972	
Corporate expenses:	\$	11,721	\$	10,540	
Depreciation and amortization:		· · · · · · · · · · · · · · · · · · ·		·	
Radio	\$	1,623	\$	1,659	
Television	·	1,768		1,907	
Corporate		211		235	
Consolidated	\$	3,602	\$	3,801	
Loss (gain) on the disposal of assets, net:					
Radio	\$	(62)	\$	(3)	
Television	·	427		(6)	
Corporate		_		(12,541)	
Consolidated	\$	365	\$	(12,550)	
Recapitalization costs:					
Radio	\$	_	\$	_	
Television		_		_	
Corporate		6,845		6,713	
Consolidated	\$	6,845	\$	6,713	
Executive severance expenses:	_				
Radio	\$	_	\$	_	
Television		_		_	
Corporate		1,844		_	
Consolidated	\$	1,844	\$	_	
Impairment charges:					
Radio	\$	_	\$	_	
Television		_		483	
Corporate		_		<u> </u>	
Consolidated	\$	_	\$	483	
Other operating income:					
Radio	\$	(16)	\$	_	
Television				_	
Corporate		_		_	
Consolidated	\$	(16)	\$	_	
Operating income (loss):					
Radio	\$	58,206	\$	54,057	
Television		1,046		2,484	
Corporate		(20,621)		(4,947)	
Consolidated	\$	38,631	\$	51,594	

The following summary table presents a comparison of our operating results of operations for the years ended December 31, 2019 and 2018. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and related notes.

	Year Ended December 31,			
		2019		2018
Net revenue	\$	156,665	\$	142,369
Engineering and programming expenses		28,881		25,816
Selling, general and administrative expenses		64,792		55,972
Corporate expenses		11,721		10,540
Depreciation and amortization		3,602		3,801
Loss (gain) on disposal of assets, net of disposal costs		365		(12,550)
Recapitalization costs		6,845		6,713
Executive severance expenses		1,844		_
Impairment charges		_		483
Other operating income		(16)		
Operating income	\$	38,631	\$	51,594
Interest expense		(31,245)		(31,862)
Dividends on Series B preferred stock classified as interest expense		(9,734)		(9,734)
Interest income		20		22
Income tax benefit		(1,400)		(6,471)
Net (loss) income	\$	(928)	\$	16,491

Net Revenue

The increase in our consolidated net revenues of \$14.3 million or 10% was due to increases in both our radio and television segments net revenue. Our radio segment net revenue increased \$14.0 million or 11% due to increased in local, network, and digital sales which were partially offset by a decrease in national sales. Our special events revenue increased primarily in our Los Angeles, New York and San Francisco markets. Our television segment net revenue increased \$0.3 million or 2%, due to increases in local sales partially offset by a decrease in special event and subscriber based revenue.

Engineering and Programming Expenses

The increase in our consolidated engineering and programming expenses of \$3.1 million or 12% was due to increases in both our radio and television segments expenses. Our radio segment expenses increased \$1.2 million or 6%, mainly due to increases in compensation and benefits and music license fees partially offset by increases in production tax credits. Our television segment expenses increased \$1.9 million or 40%, primarily due to increases in production costs which was partially offset by its related production tax credits.

Selling, General, and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of \$8.8 million or 16% was due to increases in both our radio and television segment expenses. Our radio segment expenses increased \$8.8 million or 18%, primarily due to increases in special event expenses, barter, commissions, compensation and benefits, and increases due to the prior year positive impact of legal settlements not recognized in 2019 partially offset by decreases in professional fees and affiliate station compensation expenses. Our television segment expenses increased less than \$0.1 million or 1%, primarily due to increases in barter and commissions expenses offset by a decrease in special event expenses.

Corporate Expenses

Corporate expenses increased \$1.2 million or 11% primarily due to increases in compensation and benefits and insurance expenses partially offset by a decrease in professional fees.

Gain on the disposal of assets

The decrease in gains from the disposal of assets of \$12.9 million was primarily related to having recognized the sale of the New York property in 2018.

Recapitalization Costs

The Company incurred \$6.8 million of recapitalization costs, in 2019, an increase of \$0.1 million, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan. We incurred these costs primarily in connection with our continuing efforts to successfully recapitalize or restructure our balance sheet. Also included in these amounts are the legal and financial advisory fees paid to the ad hoc group of holders (the "Supporting Holders") of more than 56% of the principal amount of outstanding Notes who previously entered into a forbearance agreement with us on May 8, 2017.

Impairment Charges

The decrease in impairment charge in 2019 of \$0.5 million was primarily due to having recognized an impairment charge of our Puerto Rico market television FCC broadcasting license in the prior year.

Executive Severance Expenses

The Company incurred \$1.8 million of executive severance expenses, during the second quarter of 2019, in connection with the retirement and separation agreement with our former Senior Executive Vice President/Chief Financial Officer.

Operating Income

The decrease in operating income of \$13.0 million or 25% was primarily due to recognizing a gain on sale of assets in 2018 and increases in operating expenses, executive severance expenses and recapitalization costs during 2019 partially offset by an increase in net revenue and not recognizing an impairment charge in 2019.

Interest Expense, net

The decrease in interest expense of \$0.6 million or 2% was primarily due to the decreased amount of monthly interest payments based on a lower principal amount due on the 12.5% Senior Secured Notes.

Income Tax Benefit

On December 10, 2018, the Puerto Rico government enacted Act 257-2018 ("PR Tax Act") introducing several amendments to the Puerto Rico Code. The most relevant income tax change includes a reduction of the maximum corporate income tax rate to 37.5%, from 39% effective January 1, 2019. Due to the full valuation allowance on Puerto Rico deferred taxes, there is no overall rate impact as a result of the PR Tax Act.

Income tax benefit decreased \$5.1 million, from a benefit of \$6.5 million in 2018 to a benefit of \$1.4 million in 2019 primarily as a result of a deferred tax impact of interest disallowances and NOLs In 2019 disallowed interest, which is carried forward and results in a deferred tax benefit, decreased when compared to 2018 disallowance. Additionally, the bad debt write off in 2018 resulted an indefinite life NOL that did not re-occur in 2019.

Net Income

The decrease in net income of \$17.4 million was primarily due to the decrease in operating income and the decrease of income tax benefit partially offset by the decrease in interest expense, net.

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of December 31, 2019 and, as of the date of this Annual Report, are as follows:

• On April 17, 2017, our 12.5% Senior Secured Notes became payable and due. Because we did not have sufficient cash on hand and did not generate sufficient cash from operations we did not repay the Notes at their maturity. Subsequent to maturity, we

used \$25.1 million of proceeds from asset sales and the FCC spectrum auction to partially pay down the Notes. Our current outstanding balance on the Notes is \$249.9 million.

- Certain holders of our Series B preferred stock, of which there is approximately \$185.0 million outstanding (comprised of approximately \$90.5 million in liquidation preference and approximately \$94.5 million in accrued dividends), requested the redemption of their Series B preferred shares on October 15, 2013, which requests we did not satisfy in full. This gave rise to a continuing Voting Rights Triggering Event under the Certificate of Designations. One consequence of the existence of a Voting Rights Triggering Event is a prohibition on incurring additional indebtedness, including new indebtedness incurred to refinance outstanding indebtedness, among other things. Every quarter, we accrued additional dividends on the Series B preferred stock at a rate of 10 3/4% per year on the outstanding liquidation preference of the shares (or about \$9.7 million per year) and, because we do not make these dividend payments in cash, the outstanding liquidation preference of these shares increased by the dividend amount. A group of purported holders of the Series B preferred stock have sued the Company in the Delaware Chancery Court, which has raised questions regarding the valid ownership of certain foreign persons of the Series B preferred stock, as described under Note 15 (Litigation) in the Notes to the financial statements contained in this Annual Report on Form 10-K and under the heading "Our Continued Recapitalization and Restructuring Efforts".
- Our current sources of liquidity are our cash and cash equivalents which totaled \$20.9 million as of December 31, 2019. During the twelve-months ended December 31, 2019, the Company generated \$2.2 million in cash from its operations and reinvested \$3.8 million of net cash into its operations through increased capital expenditures which reduced our current cash and cash equivalents during the period. Although based on current estimates and assumptions, we expect to generate a sufficient amount of cash flow from operations, during 2020, to meet our ordinary course operating obligations over the next twelve month period, the outbreak of COVID-19 could negatively impact these estimates and assumptions.
- We had a working capital deficit of \$379.9 million, primarily due to the classification of our Notes and Series B preferred stock as current liabilities. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Excluding the Series B preferred stock of \$185.0 million, our adjusted working capital deficit totals \$194.9 million.

In addition, our inability to repay the Notes at maturity and the recent outbreak of the COVID-19 coronavirus has caused us to conclude there is a substantial doubt about our ability to continue as a going concern for purposes of the determination we are required to make in connection with our evaluation of our financial statements for 2019, as described below under "—Going Concern."

In 2017, the Company reduced its NOL carry-forwards by \$32.8 million because of ownership changes under Section 382, leaving \$86.4 million of federal NOL carry-forwards and \$85.4 million of state NOL carry-forwards as of the year ended December 31, 2017. The Company had already recorded a full valuation allowance against existing NOL carry-forwards for accounting purposes such that the impact of the change was immaterial for purposes of its financial statements. In addition, the Company viewed the reduction as immaterial for federal and state income tax purposes because the Company does not expect to utilize all of its remaining NOL carry-forwards prior to expiration based on its expectations of taxable income for the foreseeable future, after making various assumptions. The determination of whether the Company and its subsidiaries will generate sufficient taxable income to utilize its remaining NOL carry-forwards prior to expiration is subject to complex assumptions and judgments and, as a result, is subject to various uncertainties. Accordingly, there is a risk that these write-offs and possible future limitations to the Company's NOL carry-forwards based on the operation of Section 382 could have a material adverse impact on the Company's results of operations, financial condition and business. See Note 13 (Income Taxes) in the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report and "Item 1A. Risk Factors—Risks Relating to Our Business—We face several risks relating to our NOL carry-forwards."

We continue to evaluate all options to effect a successful recapitalization or restructuring of our balance sheet, including a refinancing of the Notes. Our refinancing efforts have been made more difficult and complex with the litigation with certain purported holders of our Series B preferred stock and the foreign ownership issue. We provide more information about each of these items under the headings "Our Continued Recapitalization and Restructuring Efforts;" and "Risk Factors—Risks Related to Our Indebtedness and Preferred Stock."

Further detail regarding some of the items summarized above follows below:

Our primary source of liquidity is our current cash and cash equivalents. 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 and the existence of the Voting Rights Triggering Event. In addition, we also face the risk of the potential negative impact of an adverse ruling of the Series B preferred stock litigation, which is described in more detail under Part I. Business, "Our Continued Recapitalization and Restructuring Efforts—The Series B Preferred Stock Litigation" and Note 15, Litigation, of the Notes to the Consolidated Financial Statements of this Annual Report.

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. Furthermore, as of December 31, 2019, 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 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 the 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 and the need to repay the Notes, 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.

Notes

As of December 31, 2019, we had outstanding \$249.9 million principal amount of our Notes and as a result of our failure to pay the Notes at maturity, an event of default of the covenant to repay the Notes under the Indenture has occurred and is continuing. However, we continue to pay interest on the Notes on a monthly basis. For more information regarding the Notes, see Part I, Item 1. "Business—Our Continued Recapitalization and Restructuring Efforts" and Note 9 to our 2019 financial statements that are included elsewhere in this Annual Report.

Series B Preferred Stock

On October 28, 2003, our Board of Directors approved the issuance of 280,000 shares of 10 3/4% Series B Cumulative Exchangeable Redeemable Preferred Stock, par value \$0.01 per share, with a liquidation preference of \$1,000.00 per share. Holders of the Series B preferred stock have customary voting rights and provisions. As of December 31, 2019, we had outstanding \$90.5 million of Series B preferred stock due to the liquidation preference and accrued dividends of \$94.5 million.

The Certificate of Designations entitles the holders of the Series B preferred stock to receive dividends when, and if, declared by the Board of Directors.

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 or 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.

The Certificate of Designations provided holders the right, on October 15, 2013, to require us to repurchase their shares, subject to the legal availability of funds. At the option of the holder, we were required to repurchase the Series B preferred stock at a purchase price equal to 100% of the liquidation preference, or \$1,000.00 per share, plus accrued and unpaid dividends. Certain holders of the Series B preferred stock exercised their repurchase option, but we were unable to fully repurchase the Series B preferred stock for which repurchases were requested, resulting in a continuing Voting Rights Triggering Event. During the continuation of a Voting Rights Triggering Event, certain restrictions are imposed on us, including (i) a prohibition on our ability to incur additional new 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, upon the incurrence and during the pendency of a Voting Rights Triggering Event, the holders of the Series B preferred stock have the right to elect two members to our Board of Directors. A 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.

As noted above under "—Dividends on Series B preferred stock classified as interest expense", we report dividends on the Series B preferred stock as interest expense.

For more information regarding the Series B preferred stock, see Note 10 to our 2019 financial statements that are included elsewhere in this Annual Report.

Series C Preferred Stock

We are required to pay holders of Series C convertible preferred stock, \$0.01 par value per share (the "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. 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 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.

Mr. Alarcón is also the beneficial owner of all the shares of Series C preferred stock which are convertible into 760,000 shares of Class A common stock, subject to certain adjustments.

For more information regarding the Series C preferred stock, see Note 11 to our 2019 financial statements that are included elsewhere in this Annual Report.

Class A Common Stock

As of December 31, 2019, we had 4,241,991 shares of Class A common stock outstanding.

Class B Common Stock

As of December 31, 2019, 2,340,353 shares of Class B common stock were outstanding, which have ten votes per share. Raúl Alarcón, our Chief Executive Officer and the Chairman of our Board of Directors, has voting control over all but 350 shares of the Class B common stock.

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the years ended December 31, 2019 and 2018, with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed below. This section should be read in conjunction with the consolidated financial statements and accompanying notes.

	Year Ended					
		December 31,				
		2019		2018	\$	
Capital expenditures:						
Radio	\$	2,003	\$	2,493	(490)	
Television		1,337		232	1,105	
Corporate		458		182	276	
Consolidated	\$	3,798	\$	2,907	891	
Net cash flows provided by operating activities	\$	2,200		6,486	(4,286)	
Net cash flows (used in) provided by investing activities		(3,812)		10,251	(14,063)	
Net cash flows used in financing activities				(10,410)	10,410	
Net (decrease) increase in cash and cash equivalents	\$	(1,612)		6,327		

Capital Expenditures

The increase in our capital expenditures was primarily due to transmitter equipment in Miami and New York, tower relocation in Miami, the San Francisco studio relocation and build-out; purchases of office and transmitter equipment in Puerto Rico; Miami Broadcast Center building and system infrastructure improvements; purchases of Television studio equipment; and purchases of Corporate office and telecommunications equipment.

Net Cash Flows Provided by Operating Activities

Changes in our net cash flows provided by operating activities were primarily a result of decreases in working capital and operating income.

Net Cash Flows (Used in) Provided by Investing Activities

Changes in our net cash used in investing activities were primarily a result of re-investing in our operations through increased capital expenditures in 2019 and having sold our New York real estate assets in July 2018.

Net Cash Flows Used in Financing Activities

Changes in our net cash used in financing activities were primarily a result of providing a partial pay down of the principal related to the Notes in July 2018 from the proceeds received from the sale of our New York real estate assets.

Recent Developments

Outbreak of COVID-19 Coronavirus

The recent global outbreak of COVID-19 has disrupted economic markets and the economic impact, duration and spread of COVID-19 is uncertain at this time. In response to this current health crisis, governmental authorities have imposed certain restrictions, including travel bans and recommendations on the limitation of social gatherings, which have directly impacted our ability to continue producing concerts and special events while those restrictions remain in place. Our operational and financial performance may be significantly impacted by COVID-19, however it is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, financial position, results of operations, liquidity or cash flows.

Asset Sale – KTBU-TV

On March 23, 2020, we completed an asset sale with KHOU-TV, Inc. under which we agreed to sell our KTBU-DT FCC license and certain assets used in the transmission of the signal in the Houston, Texas, market. The respective assets were classified as held for sale as of December 31, 2019 and further discussed in note 6 of the Notes to Consolidated Financial Statements.

Employees

In July 2016, SAG-AFTRA was certified as the exclusive collective bargaining representative of a bargaining unit of approximately 30 employees at our Los Angeles-based stations KXOL and KLAX. In October 2018, SAG-AFTRA was also certified as the exclusive collective bargaining representative of a bargaining unit of approximately 10 employees at our Chicago-based station WLEY. We have been negotiating with representatives of SAG-AFTRA for initial collective bargaining agreements covering such bargaining units. To date, we have not yet reached initial collective bargaining agreements with SAG-AFTRA covering either bargaining unit

Related Party Transaction

CEO Waiver of Performance Bonus. Pursuant to his Employment Agreement, our Chief Executive Officer (CEO) was entitled to receive a bonus for 2019 if the Company met certain performance metrics for the year. Based on the Company's performance, our CEO would have been entitled to receive a bonus in the amount of \$750,000 for 2019 which was recorded as part of our corporate expenses. Our CEO decided to waive his right to receive a portion of his performance bonus amounting to \$500,000, during the fourth quarter of 2019, and notified the Compensation Committee of such decision. The Compensation Committee accepted our CEO's waiver and the Company recognized a gain on forgiveness of related party liability of \$500,000 which was recorded as a benefit to corporate expenses.

Certain Relationships. Alessandra Alarcón, the daughter of Raúl Alarcón, our Chief Executive Officer, is employed by us as President of SBS Entertainment. Ms. Alarcón's total compensation paid during the fiscal years 2019 and 2018 was \$0.3 million and \$0.2 million, respectively.

Off-Balance Sheet Arrangements

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

Critical Accounting Policies

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

Going Concern

Management is responsible for evaluating conditions or events as related to uncertainties that raise substantial doubt about our ability to continue as a going concern and to provide related footnote disclosures, as applicable. Management's estimates and assumptions, used in the evaluation of our ability to meet our obligations as they become due within one year after the date our financial statements are issued, are based on the facts and circumstances at such date and are subject to a material and high level of subjectivity and uncertainty due to the matters themselves being uncertain and subject to modification. The effect of any individual or aggregate changes in the estimates and assumptions, or the facts and circumstances, could be material to the financial statements. The accompanying financial statements have been prepared assuming we will continue as a going concern, do not include any adjustments that might result if we were unable to do so but, as we have stated under Part I, Item 1A. "Risk Factors—Risks Related to Our Indebtedness and Preferred Stock" and the recent outbreak of COVID-19, as further described above under "—Recent Developments—Outbreak of COVID-19 Coronavirus," we have concluded that there is substantial doubt about our ability to continue as a going concern.

Accounting for Indefinite-Lived Intangible Assets and Goodwill

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

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

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

In the discounted cash flow projections, a period of ten years was determined to be an appropriate time horizon for the analysis. The yearly streams of cash flows are adjusted to present value using an after-tax discount rate calculated for the broadcast industry as of November 30 of each year. Additionally, it is necessary to project the terminal value at the end of the ten-year projection period. The terminal value represents the hypothetical value of the licenses at the end of a ten-year period. An estimated amount of taxes are deducted from the assumed terminal value, which accordingly is discounted to net present value.

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

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

Market Revenue Projections. Revenues are based on estimates of market revenues gathered from various third-party sources. Total market revenues for 2019 were determined based on this data and market revenues were forecast over the 10-year projection period to reflect the expected long-term growth rates for the broadcast industry and each market. Over the 10-year projection period, revenue growth rates have been projected to return to growth rates equal to the expected long-term growth rate in each market. The long-term growth rates have been estimated based on historical and expected performance in each market. In determining revenue growth rates in each market, revenue growth forecasts from various industry analysts are reviewed and analyzed.

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

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

Risk Adjusted Discount Rates. Discount rates of 9.5% for radio licenses and 11.0% for television licenses were used to calculate the present value of the net after-tax cash flows. The discount rates are based on an after-tax rate determined using the weighted average cost of capital model as of November 30, 2019. The discount rates are not specific to us or to the stations, but are based upon the expected rates that would be used by a typical market participant, which include a risk premium.

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

For example, changes in the discount rates will significantly impact our impairment testing. We note that a 100 basis point increase in the discount rates would result in an impairment of \$4.9 million.

The table below presents the percentage within which the fair values of our broadcasting licenses fall relative to their carrying value as of November 30, 2019 for 9 units of accounting (i.e. markets).

	Percentage Range by which the Fair Value Exceeds the Carrying Value for the Units of Accounting as of November 30, 2019					
	0% to 5%		Greater than 5% to 15%		Greater than 15%	
Number of units of accounting	1		2		6	
Carrying value (in thousands)	\$ 21,057	\$	35,652	\$	265,005	

In addition to conducting our annual impairment testing, at each interim reporting period we performed a qualitative assessment for each unit of accounting for triggering events that could have indicated impairment to our FCC broadcasting licenses. In this assessment, we considered the qualitative factors that are outlined in FASB ASC 350-30-35-18B, which include, but are not limited to, the state of the economy, advertising demand, market conditions, broadcasting industry future growth rates, regulatory matters and technology. During the second quarter of 2018, as a result of the interim impairment test, we determined that there was an impairment to our television FCC broadcasting license in Puerto Rico, primarily due to lower industry advertising revenue growth projections in the subject market. We recorded a non-cash impairment loss of approximately \$0.5 million that reduced the carrying value of such FCC broadcasting license. The tax impact of the impairment loss was an approximate \$0.2 million tax benefit, which was related to the reduction of the book/tax basis difference on our FCC broadcasting license. Outside of the television FCC broadcasting license impairment in Puerto Rico, there were no other impairments of our FCC broadcasting licenses as tested for impairment as of November 30, 2019 for the year ended December 31, 2019.

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

The Company assesses qualitative factors to determine whether it is necessary to perform a quantitative assessment for its radio reporting unit. If the quantitative assessment is necessary, the Company will determine the fair value of its radio reporting unit. If the fair value of its radio reporting unit is less than the carrying amount, the Company will recognize an impairment charge for the amount by which the carrying amount exceeds the fair value. The loss recognized will not exceed the total amount of goodwill.

During the years ended December 31, 2019 and 2018, we performed interim and/or annual impairment reviews of our goodwill and determined that there was no impairment of goodwill. The estimated enterprise value of our radio reporting unit exceeded its carrying value during our impairment testing. In addition, there is currently a net accumulated deficit in our radio reporting unit and we have a net overall accumulated deficit; therefore we considered whether there were any adverse qualitative factors that would indicate that an impairment existed. When evaluating our estimated enterprise value, we utilized an income approach which uses assumptions and estimates which among others include the aggregated expected revenues and operating margins generated by our FCC broadcasting licenses (i.e. our stations) and use of a risk adjusted discount rate. We did not find reconciliation to our current market capitalization meaningful in the determination of our enterprise value given current factors that impact our market capitalization, including but not limited to: (1) limited trading volume; and (2) the significant voting control of our Chairman and CEO.

Accounting for Income Taxes

The preparation of our consolidated financial statements requires us to estimate our actual current tax exposure together with our temporary differences resulting from differing treatment of items for financial statement and tax reporting purposes. These temporary differences result in the recognition of deferred tax assets and liabilities, which are included in our consolidated balance sheets. FASB ASC 740, Income Taxes, requires the establishment of a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. As a result of adopting FASB ASC Topic 350, Intangibles – Goodwill and Other, amortization of intangible assets and goodwill ceased for financial statement purposes. As a result, we could not be assured that the reversals of the deferred tax liabilities relating to those intangible assets and goodwill would occur within our NOL carry-forward period. Therefore, on the date of adoption, we established a valuation allowance for substantially all of our deferred tax assets due to uncertainties surrounding our ability to utilize some or all of our deferred tax assets, primarily consisting of NOL, as well as other temporary differences between financial statement and tax reporting purposes. We expect to continue to reserve for any increase in our deferred tax assets in the foreseeable future with the exception of certain deferred tax assets of a U.S. licensing entity, Post TCJA NOL's, disallowed interest carryovers, and AMT credits in the U.S., which can be used to offset the indefinite lived intangible DTLs in the U.S. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. The Company's accounting policy is to not record the amount of NOL carry-forwards that will expire due to Section 382 limitations. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust our valuation allowance, which could materially affect our financial position and results of operations.

Valuation of Accounts Receivable

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

Revenue Recognition

We recognize revenue when a customer obtains control of promised goods or services. The amount of revenue recognized and reported reflects the consideration to which the Company expects to be entitled to receive in exchange for these services and entitled under the contract. The Company allocates the transaction price to each performance obligation and recognizes revenue as the related performance obligations are satisfied, which may occur over time or at a point in time. Our revenue is presented net of agency commissions. Agency commissions, where applicable, are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings, less their commission, to us when the advertisement is not placed directly by the advertiser. We recognize special events revenue from ticket sales, as well as profit-sharing arrangements, as concerts and events are conducted and occur. Payments received in advance of being earned are recorded as customer advances.

Leases

We analyze if contracts are leases or contain leases at inception. Our analysis includes determining whether the right to control the use of an identified asset for a period of time in exchange for consideration has been transferred to the Company. The term of each lease is determined based on the noncancellable period specified in the agreement together with renewal periods which would provide the Company the option to extend the lease and it were reasonably certain that the Company would excreise that option, as well as that it is also reasonably certain that the lessor would not preclude the Company from doing so. The lease liabilities and the related right-of-use assets are calculated based on the present value of the lease payments using the lessee's incremental borrowing rate ("IBR"), if the rate is not defined in the contract. IBR is defined as the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments, on a collateralized basis, over a similar term.

Contingencies and Litigations

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

Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are described in Note 2 to the accompanying financial statements.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for each of the years ended December 31, 2019 and 2018, respectively. However, there can be no assurance that inflation will not have an adverse impact on our future operating results and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The information called for by this Item 8 is included in Item 15, under "Financial Statements" and "Financial Statement Schedule" appearing at the end of this Annual Report.

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

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Control and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the required time periods. As of December 31, 2019, the end of the period covered by this Annual Report, we carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective. We review our disclosure controls and procedures on an ongoing basis and may, from time to time, make changes aimed at enhancing their effectiveness to ensure that they evolve with our business.

Management's Report on Internal Control over Financial Reporting

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

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

Under the supervision of and with the participation of our management, we assessed the effectiveness of our internal control over financial reporting, as of December 31, 2019 using the framework specified in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment, we concluded that our internal control over financial reporting was effective as of December 31, 2019.

Attestation Report of the Registered Public Accounting Firm

Not required for smaller reporting companies.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the fourth quarter of the year ended December 31, 2019 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

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

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2019 and 2018;
- Consolidated Statements of Operations for the years ended December 31, 2019 and 2018;
- Consolidated Statements of Changes in Stockholders' Deficit for the years ended December 31, 2019 and 2018;
- Consolidated Statements of Cash Flows for the years ended December 31, 2019 and 2018; and
- Notes to Consolidated Financial Statements.

2. Financial Statement Schedule

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

Consolidated Financial Statement Schedule – Valuation and Qualifying Accounts.

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

The information required by this Item is set forth on the exhibit index that precedes the signature page of this Annual Report.

Report of Independent Registered Public Accounting Firm

Shareholders and the Board of Directors of Spanish Broadcasting System, Inc. Miami, Florida

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Spanish Broadcasting System, Inc. (the "Company") as of December 31, 2019 and 2018, the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes and consolidated financial statement schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019 and 2018, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph - Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the 12.5% Senior Secured Notes had a maturity date of April 15, 2017. Cash from operations or the sale of assets was not sufficient to repay the notes when they became due. In addition, at December 31, 2019, the Company had a working capital deficiency. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans regarding these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Explanatory Paragraph - Change in Accounting Principle

As discussed in Note 2(s) to the financial statements, the Company has changed its method of accounting for leases in 2019 due to the adoption of Accounting Standards Codification No. 842 *Leases*.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Crowe LLP

We have served as the Company's auditor since 2013.

Fort Lauderdale, Florida March 30, 2020

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Consolidated Balance Sheets December 31, 2019 and 2018 (In thousands, except share data)

	December 31, 2019		December 31, 2018	
Assets				
Current assets:				
Cash and cash equivalents	\$	20,856	\$	22,468
Receivables:				
Trade		40,394		32,769
Barter		197		431
		40,591		33,200
Less allowance for doubtful accounts		1,122		1,649
Net receivables		39,469		31,551
Prepaid expenses and other current assets		7,475		7,480
Assets held for sale		12,474		<u> </u>
Total current assets		80,274		61,499
Property and equipment, net		23,022		22,414
FCC broadcasting licenses		311,282		321,714
Goodwill		32,806		32,806
Other intangible assets, net of accumulated amortization of \$1,308 in 2018		_		1,239
Operating lease right-of-use assets		17,978		_
Other assets		3,682		4,640
Total assets	\$	469,044	\$	444,312
Liabilities and Stockholders' Deficit	_	100,000	-	,
Current liabilities:				
Accounts payable and accrued expenses	\$	20,333	\$	20,370
Accrued interest	Ψ	1,513	Ψ	1,513
Unearned revenue		991		798
Other liabilities		771		9
Operating lease liabilities		948		,
Liabilities held for sale		1,510		
12.5% senior secured notes (Note 9)		249,864		249,864
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends		249,004		249,004
outstanding, \$0.01 par value, liquidation value \$1,000 per share. Authorized 280,000 shares: 90,549				
shares issued and outstanding at December 31, 2019 and 2018 and \$94,500 and \$84,766 of				
dividends payable as of December 31, 2019 and 2018, respectively.		185,049		175,315
Total current liabilities		460,208		447,869
Other liabilities, less current portion		2,877		3,598
Operating lease liabilities - net of current portion		17,538		_
Deferred tax liabilities		68,718		72,224
Total liabilities		549,341		523,691
Commitments and contingencies (Note 12, 14 and 15)				
Stockholders' deficit:				
Series C convertible preferred stock, \$0.01 par value and liquidation value. Authorized 600,000				
shares; 380,000 shares issued and outstanding at December 31, 2019 and 2018		4		4
Class A common stock, \$0.0001 par value. Authorized 100,000,000 shares; 4,241,991 shares issued and outstanding at December 31, 2019 and 2018		_		_
Class B common stock, \$0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares				
issued and outstanding at December 31, 2019 and 2018		_		_
Additional paid-in capital		526,201		526,191
Accumulated deficit		(606,502)		(605,574)
Total stockholders' deficit		(80,297)		(79,379)
Total liabilities and stockholders' deficit	\$	469,044	\$	444,312

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Operations Years Ended December 31, 2019 and 2018 (In thousands, except per share data)

	Year Ended December 31,			
	2019		2018	
Net revenue	\$ 156,665	\$	142,369	
Operating expenses:				
Engineering and programming	28,881		25,816	
Selling, general and administrative	64,792		55,972	
Corporate expenses	11,721		10,540	
Depreciation and amortization	 3,602		3,801	
Total operating expenses	108,996		96,129	
Loss (gain) on the disposal of assets	365		(12,550)	
Recapitalization costs	6,845		6,713	
Executive severance expense	1,844		_	
Impairment charges	_		483	
Other operating income	 (16)			
Operating income	38,631		51,594	
Other (expense) income:				
Interest expense	(31,245)		(31,862)	
Dividends on Series B preferred stock classified as interest expense	(9,734)		(9,734)	
Interest income	 20		22	
(Loss) income before income tax	(2,328)		10,020	
Income tax benefit	 (1,400)		(6,471)	
Net (loss) income	\$ (928)	\$	16,491	
Class A and B net (loss) income per common share				
Basic	\$ (0.13)	\$	2.25	
Diluted	(0.13)		2.25	
Weighted average common shares outstanding:	 ·			
Basic	7,342		7,324	
Diluted	 7,342		7,324	

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit Years Ended December 31, 2019 and 2018 (In thousands, except share data)

	Seri	es C								
	conve	rtible	Clas	ss A	Cla	ss B				
	preferre	ed stock	commo	n stock	common stock		Additional		Total	
	Number of		Number of		Number of		paid-in	Accumulated	stockholders'	
	shares	Par value	shares	Par value	shares	Par value	capital	deficit	deficit	
Balance at December 31, 2017	380,000	\$ 4	4,166,991	\$ —	2,340,353	\$ —	\$ 526,147	\$ (622,065)	\$ (95,914)	
Stock-based compensation	_	_	_	_	_	_	44	_	44	
Net income	_	_	_	_	_	_	_	16,491	16,491	
Issuance of Class A common stock			75,000				<u> </u>		<u> </u>	
Balance at December 31, 2018	380,000	4	4,241,991	_	2,340,353	_	526,191	(605,574)	(79,379)	
Stock-based compensation	_	_	_	_	_	_	10	_	10	
Net loss			<u> </u>					(928)	(928)	
Balance at December 31, 2019	380,000	\$ 4	4,241,991	<u> </u>	2,340,353	\$	\$ 526,201	\$ (606,502)	\$ (80,297)	

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows Years Ended December 31, 2019 and 2018 (In thousands)

	Year Ended December 31,			
		2019		2018
Cash flows from operating activities:				
Net (loss) income	\$	(928)	\$	16,491
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Dividends on Series B preferred stock classified as interest expense		9,734		9,734
Loss (gain) on the disposal of assets, net of disposal costs		434		(12,370)
Gain on insurance proceeds received for damage to equipment		(69)		(180)
Impairment charges		_		483
Stock-based compensation		10		44
Depreciation and amortization		3,602		3,801
Net barter income		(921)		(564)
Provision for trade doubtful accounts		906		528
Deferred income taxes		(3,506)		(9,047)
Unearned revenue-barter		803		504
Changes in operating assets and liabilities:				
Trade receivables		(9,058)		(1,185)
Prepaid expenses and other current assets		105		718
Other assets		958		(3,949)
Accounts payable and accrued expenses		(194)		1,572
Accrued interest		_		(284)
Other liabilities		324		190
Net cash provided by operating activities		2,200		6,486
Cash flows from investing activities:		·		
Purchases of property and equipment		(3,798)		(2,907)
Proceeds from the sale of property and equipment		6		12,950
Insurance proceeds received for damage to equipment		69		297
Payments towards FCC repack assets		(89)		(89)
Net cash (used) provided by investing activities		(3,812)		10,251
Cash flows from financing activities:				
Paydown of 12.5% senior secured notes		_		(10,410)
Net cash used in financing activities		_		(10,410)
Net (decrease) increase in cash and cash equivalents		(1,612)		6,327
Cash and cash equivalents at beginning of year		22,468		16,141
Cash and cash equivalents at end of year	\$	20,856	\$	22,468
Supplemental cash flows information:	<u>-</u>		-	
Interest paid	\$	31,245	\$	32.147
Income tax paid, net	\$	2,354	\$	1,417
meome an paid, net	Ψ	2,337	Ψ	1,71/

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
December 31, 2019 and 2018

(1) Organization and Nature of Business

Spanish Broadcasting System, Inc., a Delaware corporation, and its subsidiaries owns 17 radio stations in the Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco markets. In addition, we own and operate six television stations, which operate as one television operation, branded as "MegaTV." We also have various MegaTV broadcasting outlets under affiliation or programming agreements. As part of our operating business, we produce live concerts and events and maintain multiple bilingual websites, including www.LaMusica.com, Mega.tv, various station websites, as well as the LaMusica mobile app providing content related to Latin music, entertainment, news and culture.

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

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

(2) Summary of Significant Accounting Policies and Related Matters

(a) Basis of Presentation

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

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 December 31, 2019, we had a working capital deficit due primarily to the classification of our 1034% 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 the extent of the funds legally available. The Company is currently involved in litigation with some holders of the Series B preferred stock. See Note 10 elsewhere in these Notes to the consolidated financial statements for additional detail regarding the Series B preferred stock litigation.

As discussed in Note 9, the Notes became due on April 15, 2017. Cash from operations and proceeds from the sale of assets and the FCC spectrum auction were not sufficient to repay the Notes when they became due. We have worked and continue to work with our advisors regarding a consensual recapitalization or restructuring of our balance sheet, including through the issuance of new debt or equity to raise the necessary funds to repay the Notes. The Series B preferred stock litigation and the foreign ownership issue have complicated our efforts at a successful refinancing of the Notes. The resolution of the recapitalization or restructuring of our balance sheet, the litigation with the purported holders of our Series B preferred stock and the foreign ownership issue are subject to several factors currently beyond our control. Our efforts to effect a consensual refinancing of the Notes, the Series B preferred stock litigation and the foreign ownership issue will likely continue to have a material adverse effect on us if they are not successfully resolved. On December 16, 2019, we announced in a press release that we had received a letter from a bank stating that it was highly confident of its ability to arrange secured debt financing for up to \$300 million that, in combination with a possible additional first lien asset-based financing, would be used to repay our outstanding Notes and to make cash purchases of our Series B preferred stock. We cannot assure you that the bank will be successful in raising that financing, that we will be able to raise the additional contemplated first lien asset-based financing or that we will be able to reach agreement that will be acceptable to us.

The Company has incurred \$6.8 million and \$6.7 million, respectively, for the years ended December 31, 2019 and 2018, of recapitalization costs, primarily due to professional fees, settlements, severance pay and station relocation costs directly related to our recapitalization efforts. Also included in these amounts are the legal and financial advisory fees incurred by the holders of the Notes.

The Company's inability to obtain financing in adequate amounts and on acceptable terms necessary to repay our Notes and redeem or refinance our Series B preferred stock, obtain a favorable resolution to the Series B preferred stock litigation, finance future acquisitions, or unexpected crisis such as the recent outbreak of the COVID-19 coronavirus negatively impacts our business, financial position, results of operations, liquidity 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.

(b) Valuation of Accounts Receivable

We review accounts receivable to determine which accounts are doubtful of collection. In making the determination of the appropriate allowance for doubtful accounts, we consider our history of write-offs, relationships with our customers, age of the invoices and the overall creditworthiness of our customers. For each of the years ended December 31, 2019 and 2018, we incurred bad debt expense of \$0.9 and \$0.5 million, respectively. Changes in the credit worthiness of customers, general economic conditions and other factors may impact the level of future write-offs.

(c) Property and Equipment

Property and equipment, including capital leases, are stated at historical cost, less accumulated depreciation and amortization. We depreciate the cost of our property and equipment using the straight-line method over the respective estimated useful lives (see Note 7). Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining life of the lease or the useful life of the improvements.

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

(d) Assets Held for Sale

Long lived assets or asset groups that have met the initial criteria to be classified as held for sale (disposal group) and have not yet been sold are measured at the lower of their carrying amount or fair value less cost to sell. Long-lived asset classified as held for sale shall not be depreciated (amortized) while classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale shall continue to be accrued.

(e) Impairment or Disposal of Long-Lived Assets

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

(f) FCC Broadcasting Licenses

Our indefinite-lived intangible assets consist of FCC broadcasting licenses. FCC broadcasting licenses are granted to stations for up to eight years under the Telecommunications Act of 1996 ("the Act"). We intend to renew our licenses indefinitely and evidence supports our ability to do so. Historically, there has been no material challenge to our license renewals. In addition, the technology used in broadcasting is not expected to be replaced by another technology any time in the foreseeable future. The weighted-average period before the next renewal of our FCC broadcasting licenses is 4.7 years.

We do not amortize our FCC broadcasting licenses. We test these indefinite-lived intangible assets for impairment at least annually, as of November 30, 2019, or when an event occurs that may indicate that impairment may have occurred. We test our FCC broadcasting licenses for impairment at the market cluster level.

Our valuations principally use the discounted cash flow methodology. The key assumptions incorporated in the discounted cash flow model are market revenue projections, market revenue share projections, anticipated operating profit margins and risk adjusted discount rates. These assumptions vary based on the market size, type of broadcast of signal, media competition and audience share and primarily reflect industry norms for similar stations/broadcast signals, as well as historical performance and trends of the markets. In the preparation of the FCC broadcasting license appraisals, estimates and assumptions are made that affect the valuation of the intangible asset. Since a number of factors such as: overall advertising demand, station listenership and viewership, audience tastes, technology, fluctuation in preferred advertising media and the estimated cost of capital may influence the determination of the fair value of our FCC broadcasting licenses, we are unable to predict whether impairments, which could have a material impact on our consolidated financial statements, will occur in the future.

We also consider additional market valuation approaches in assessing whether any impairment may exist at reporting units. Based on consideration of these factors, we determined that there were no impairments of our FCC broadcasting licenses for the year ended December 31, 2019. Any significant change in these factors will result in a modification of the key assumptions, which may result in an additional impairment.

(g) Goodwill

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

The Company assesses qualitative factors to determine whether it is necessary to perform a quantitative assessment for its radio reporting unit. If the quantitative assessment is necessary, the Company will determine the fair value of its radio reporting unit. If the fair value of its radio reporting unit is less than the carrying amount, the Company will recognize an impairment charge for the amount by which the carrying amount exceeds the fair value. The loss recognized will not exceed the total amount of goodwill.

During 2019 and 2018, we performed interim and annual impairment reviews of our goodwill, as of November 30. Our impairment testing indicated that the estimated enterprise value of our radio reporting unit exceeded its carrying value. When evaluating our estimated enterprise value, we utilized an income approach which uses assumptions and estimates which among others include the aggregated expected revenues and operating margins generated by our FCC broadcasting licenses (i.e. our stations) and use of a risk adjusted discount rate. Based on our reviews it was determined that there was no impairment of goodwill for the years-ended December 31, 2019 and 2018.

(h) Cash and Cash Equivalents

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

(i) Income Taxes

We file a consolidated federal income tax return for substantially all of our domestic operations. We are also subject to foreign taxes on our Puerto Rico operations. We account for income taxes under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying

amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carry-forwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled and are respectively classified as noncurrent assets or noncurrent liabilities. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. Based upon the level of historical taxable income and projections for future taxable income over the periods which the deferred tax assets are deductible, at this time, management believes it is more likely than not that we will not realize the benefits of the majority of these deductible differences. As a result, we have established and maintained a valuation allowance for that portion of the deferred tax assets we believe will not be realized. The Company's accounting policy is to not record the amount of NOL carry-forwards that will expire due to Section 382 limitations. We account for uncertain tax positions which require that a position taken or expected to be taken in a tax return be recognized in the financial statements when it is more likely than not (a likelihood of more than 50%) that the position would be sustained upon examination by tax authorities. A recognized tax position is then measured at the largest amount of benefit that is greater than 50% likely of being realized upon ultimate settlement. Interest and penalties on tax liabilities, if any, would be recorded in interest expense and other noninterest expense, respectively (see Note 13).

(j) Advertising Costs

We incur advertising costs to add and maintain listeners. These costs are charged to expense in the period incurred. Cash advertising costs amounted to \$1.3 million and \$1.1 million in the years ended December 31, 2019 and 2018, respectively.

(k) Contingent Liabilities and Gains

Accounting standards require that an estimated loss from a loss contingency shall be accrued when information available prior to the issuance of the financial statements indicate that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and when the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires us to use our judgment. We believe that our accruals for these matters are adequate. Contingencies that might result in gains are disclosed but not reflected in the financial statements until realization has occurred.

(l) Use of Estimates

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

(m) Concentration of Business and Credit Risks

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

Our operations are conducted in several markets across the United States, including Puerto Rico. Our New York, Los Angeles, and Miami markets accounted for more than 65% of net revenue for the years ended December 31, 2019 and 2018. Our credit risk is spread across a large number of diverse customers in a number of different industries, thus spreading the trade credit risk. We do not normally require collateral on credit sales; however, a credit analysis is performed before extending substantial credit to any customer and occasionally we request payment in advance. We establish an allowance for doubtful accounts based on customers' payment history and perceived credit risks.

(n) Basic and Diluted Net (Loss) Income Per Common Share

Basic net (loss) income per common share was computed by dividing net (loss) income available to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented. Diluted net (loss) income per common share is computed by giving effect to common stock equivalents as if they were outstanding for the entire period. The following table summarizes the net (loss) income applicable to common stockholders and the net (loss) income per common share for the years ended December 31, 2019 and 2018 (in thousands, except per share data):

	Twelve Months Ended December 31,					
	2019			2018		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic net (loss) income per share:						
Numerator						
Allocation of undistributed earnings	\$ (536)	\$ (296)	\$ (96)	\$ 9,510	\$ 5,270	\$ 1,711
Denominator						
Number of shares used in per share computation						
(as converted)	4,242	2,340	760	4,224	2,340	760
Basic net (loss) income per share	\$ (0.13)	\$ (0.13)	\$ (0.13)	\$ 2.25	\$ 2.25	\$ 2.25
Diluted net (loss) income per share:						
Numerator						
Allocation of undistributed earnings	\$ (536)	\$ (296)	\$ (96)	\$ 9,510	\$ 5,270	\$ 1,711
Denominator						
Number of shares used in basic computation	4,242	2,340	760	4,224	2,340	760
Weighted-average impact of dilutive equity						
instruments						
Number of shares used in per share computation						
(as converted)	4,242	2,340	760	4,224	2,340	760
Diluted net (loss) income per share	\$ (0.13)	\$ (0.13)	\$ (0.13)	\$ 2.25	\$ 2.25	\$ 2.25
Common stock equivalents excluded from calculation of						
diluted net (loss) income per share as the effect would						
have been anti-dilutive:	435	_	_	370	_	_

(o) Fair Value Measurement

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

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

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

(p) Share-Based Compensation Expense

We account for our share-based compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model. For these awards, we have recognized compensation expense using a straight-line amortization method (prorated). Share-based compensation expense is based on awards that are ultimately expected to vest. Share-based compensation for the years ended December 31, 2019 and 2018 were reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures.

(q) Leasing (Operating Leases)

We analyze if contracts are leases or contain leases at inception. Our analysis includes determining whether the right to control the use of an identified asset for a period of time in exchange for consideration has been transferred to the Company. The term of each lease is determined based on the noncancellable period specified in the agreement together with renewal periods which would provide the Company the option to extend the lease and it were reasonably certain that the Company would excreise that option, as well as that it is also reasonably certain that the lessor would not preclude the Company form doing so. The lease liabilities and the related right-of-use assets are calculated based on the present value of the lease payments using the lessee's incremental borrowing rate ("IBR"), if the rate is not defined in the contract. IBR is defined as the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments, on a collateralized basis, over a similar term.

(r) Segment Reporting

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

(s) Recently Issued Accounting Pronouncements

In March 2019, the FASB issued ASU No. 2019-02, Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials. ASU 2019-02 helps organizations align their accounting for production costs for films and episodic content produced for television and streaming services. The standard addresses when an organization should assess films and license agreements for program material for impairment at the film-group level, revises presentation requirements; requires new disclosures about content that is either produced or licensed; and, addresses cash flow classification for license agreements. The standard is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. We have adopted the new standard effective January 1, 2020 with no material impact on our financial statements.

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) – Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract,* which provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement that is a service contract. The update is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). We have adopted the new standard effective January 1, 2020 with no material impact on our financial statements.

In August 2018, the FASB issued ASU No. 2018-13, Fair Value Measurement (Topic 820) – Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements to all entities required to make disclosures about recurring and nonrecurring fair value measurements. The update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. The amendments on changes in unrealized gains and losses, the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively for only the most recent interim or annual period presented in the initial fiscal year of adoption. All other amendments should be applied retrospectively to all periods presented upon their effective date. Early adoption is permitted. The guidance eliminates the requirement to disclose the valuation process for Level 3 fair value measurements. The methodology used to arrive at the fair value of the Series B preferred stock results in a Level 3 classification. The Company has adopted this ASU, effective January 1, 2020 with no impact on our financial position or results of operations and has updated its disclosures in accordance with the requirements of this ASU.

In June 2018, the FASB issued ASU No. 2018-07, Compensation—Stock Compensation (Topic 718) - Improvements to Nonemployee Share-Based Payment Accounting, which expands the scope of share-based compensation guidance to include share-based payment transactions for acquiring goods and services from nonemployees. The update is effective for fiscal years beginning after December 15, 2019 and for interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted, but no earlier than the adoption date for ASC 606 on revenue recognition. The update is effective through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption. The Company adopted this ASU, effective January 1, 2020 with no impact on our financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU No. 2016-13 Financial Instruments—Credit Losses (Topic 326)—Measurement of Credit Losses on Financial Instruments which introduces a new forward-looking approach, based on expected losses, to estimate credit losses on certain types of financial instruments, including trade receivables and held-to-maturity debt securities, which will require entities to incorporate considerations of historical information, current information and reasonable and supportable forecasts. This ASU also expands disclosure requirements and will be applied using the modified-retrospective approach. In February 2020, the FASB issued ASU No. 2020-02, Financial Instruments—Credit Losses (Topic 326), which delayed the effective date for smaller reporting public companies until fiscal years beginning after December 15, 2022. Early adoption is permitted as of the fiscal years beginning after December 31, 2018, including interim periods within those fiscal years. The Company has not currently adopted this ASU. Based on our preliminary assessment, the Company does not expect the adoption of this update to have a material impact on our financial position, results of operations or cash flows.

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 (with the exception of short-term 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 statement of operations. The new standard also requires expanded disclosures regarding leasing arrangements. In July 2018, the FASB issued ASU No. 2018-10, Codification Improvements to Topic 842, Leases, intended to clarify the Codification or to correct unintended application of the guidance and ASU No. 2018-11, Leases (Topic 842) - Targeted improvements, which provides an alternative modified retrospective transition method. Under this method, the cumulative-effect adjustment to the opening balance of retained earnings is recognized on the date of adoption. We adopted this ASU on January 1, 2019 using the modified retrospective approach and have elected the transition option, which allows us to continue to apply the legacy guidance for comparative periods, including disclosure requirements, in the year of adoption. We have elected to use the package of practical expedients available to us, including the short-term lease exception. Adoption of the new standard resulted in the recording of right-of-use assets and lease liabilities of \$13.9 million and \$13.9 million, respectively, as of January 1, 2019. The operating lease right-of-use asset includes the impact upon adoption of ASC Topic 842 of the derecognition of lease incentives, deferred rent, below-market lease intangibles, and prepaid rent balances recognized in prepaid expenses and other current assets, other intangible assets, accounts payable and other accrued liabilities and other liabilities on the consolidated balance sheets as of December 31, 2018. The standard did not impact our consolidated statements of operations or consolidated statements of cash flows. Additionally, we did not record a cumulative effect adjustment to opening accumulated deficit. The comparative information has not been restated and continues to be reported under the accounting guidance in effect for that period.

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 supersedes

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. During 2016, the FASB issued various updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses, determining if a company is the principal or agent in a revenue arrangement, and to make minor corrections, improve and clarify the implementation guidance of Topic 606. The new standard also requires expanded disclosures relating to the nature, amount, timing, and uncertainty of revenue and cash flows arising from contracts with customers. The Company determined there was no material effect on our financial position and results of operations nor do we expect to have a material impact on our financial statements in future periods. The timing and amount of revenue recognized based on the new standard is consistent with the revenue recognition policy under previous guidance, however, certain additional financial statement disclosures are now required, including additional disaggregated view of revenue. We have adopted the new standard effective January 1, 2018, using the modified retrospective transition method and comparative information has not been restated and continues to be presented under the accounting guidance effective for that period.

(3) Revenue

The Company adopted ASC 606 on January 1, 2018 using the modified retrospective transition method as the timing and amount of revenue recognized based on the new standard is consistent with the revenue recognition policy under previous guidance and there was no material impact to our financial position or results of operations. The adoption of ASC 606 represents a change in accounting principle that more closely aligns revenue recognition with the delivery of the Company's services and provides financial statement readers with enhanced disclosures. In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized and reported reflects the consideration to which the Company expects to be entitled to receive in exchange for these services and entitled under the contract. Substantially all deferred revenue is recognized within twelve months of the payment date. To achieve this core principle, the Company applies the following five steps:

- 1) Identify the contract with a customer,
- 2) Identify the performance obligations in the contract,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to performance obligations in the contract, and
- 5) Recognize revenue when or as the Company satisfies a performance obligation.

Disaggregation of Revenue

The following table summarizes revenue from contracts with customers for the years ended 2019 and 2018 (in thousands):

	Year Ended December 31,			
		2019		2018
Local, national, digital and network	\$	153,856	\$	143,647
Special events		9,746		6,860
Barter		8,019		6,309
Other		7,264		6,658
Gross revenue		178,885		163,474
Less: Agency commissions and other		22,220		21,105
Net revenue	\$	156,665	\$	142,369

Nature of Products and Services

(a) Local, national, digital and network advertising

Local and digital revenues generally consist of advertising airtime sold in a station's local market, the Company's La Musica application or its websites 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). National revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by an outside national representation firm, which serves as an agent in these transactions. Revenues from national advertisers are presented as net of agency commissions as this is the amount that the Company expects to be entitled to receive in exchange for these services and entitled to under the contract. Network revenue generally consists of advertising airtime sold on the AIRE Radio Networks platform by network sales staff.

A contract for local, national, digital and network advertising exists only at the time commercial substance is present. For each contract, the Company considers the promise to air or display advertisements, each of which is distinct, to be the identified performance obligation. The price as specified on a customer purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs as an advertisement airs or appears.

(b) Special events

Special events revenue is generated from ticket sales, as well as through profit-sharing arrangements for producing or coproducing live concerts and events promoted by radio and television stations.

In addition to ticket sales, the Company enters into profit-sharing arrangements to produce or co-produce live concerts and events with partners which may also purchase various production services from the company. These contracts include multiple promises that the Company evaluates to determine if the promises are separate performance obligations. Once the Company determines the performance obligations and the transaction price, including estimating the amount of variable consideration, the Company then allocates the transaction price to each performance obligation in the contract based on a relative stand-alone selling price method or using the variable consideration allocation exception if the required criteria are met. The corresponding revenues are recognized as the related performance obligations are satisfied, which may occur over time (i.e. term of agreement) or at a point in time (i.e. event completion). In order to determine if revenue should be reported gross as principal or net as agent, the Company considers indicators such as if it is the party primarily responsible for fulfillment, has inventory risk, and has discretion in establishing price to determine control. When management determines it controls an event, it is acting as the principal and records revenue gross. When management determines it does not control an event, it is acting as an agent and records revenue net.

(c) Barter advertising

Barter sales agreements are used to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services.

A contract for barter advertising exists only at the time commercial substance is present. For each contract, the Company considers the promise to air or display advertisements, each of which is distinct, to be the identified performance obligation. The price as specified on a counterparty's purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs as an advertisement airs or displays.

For the years ended December 31, 2019 and 2018, barter revenue of \$8.0 and \$6.3 million was offset by barter expense of \$7.6 million and \$5.7 million, respectively.

(d) Other revenue

Other revenue consists of syndication revenue, subscriber revenue and other revenue. Syndication revenue is recognized from licensing various MegaTV content and is payable on a usage-based model. Subscriber revenue is payable in a per subscriber form from cable and satellite providers. Other revenue consists primarily of renting available tower space or sub-channels.

The Company considers signed license or subscriber agreements to be the contract with a customer for the sale of syndicated or subscriber related content. For each contract, the Company considers making content available to the customer to be the identified performance obligation. The price as specified on a counterparty's agreement, which is generally stated on a per user basis, is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control is transferred to the customer (i.e., when the Company's performance obligation is satisfied), which typically occurs on a month-to-month basis. Other revenues related to renting tower space are recognized in accordance with ASC 842 - Leases.

Significant Judgments

As part of its consideration of the existence of contracts, the Company evaluates certain factors including the customer's ability to pay (or credit risk). Advertising contracts are for one year or less. In determining the transaction price the Company evaluates whether the price is subject to refund or adjustment to determine the net consideration to which the Company expects to be entitled. In determining whether control has transferred, the Company considers if there is a present right to payment and legal title, along with risks and rewards of ownership having transferred to the customer.

Contract Balances

During the years ended December 31, 2019 and 2018, there were \$0.4 million of local, national and digital revenue recognized that were included in the unearned revenue balances at the beginning of each period, respectively. During the years ended December 31, 2019 and 2018, there were \$0.1 million of special events revenue recognized that were included in the unearned balances at the beginning of each period, respectively. During years ended December 31, 2019 and 2018, there were \$0.5 million and \$0.3 million of barter revenue that were included in the unearned revenue balances at the beginning of each period, respectively. Network and other revenue recognized during the years ended December 31, 2019 and 2018, that were included in unearned revenue balances at the beginning of each period were not significant. At December 31, 2019 there was \$2.0 million of variable consideration in the form of agency based volume discounts accrued as contract liabilities within accrued expenses as compared to \$2.1 million at December 31, 2018. Variable consideration in the form of agency based volume discounts of \$2.0 million and \$2.1 million were recognized and recorded as contract liabilities within accrued expenses during the years ended December 31, 2019 and 2018, respectively.

Transaction Price Allocated to the Remaining Performance Obligation

The Company has elected to use the optional exemption in ASC 606-10-50-14 with regard to disclosing balances associated with remaining performance obligations. Revenue expected to be recognized in any future year related to remaining performance obligations, excluding revenue pertaining to contracts that have an original expected duration of one year or less, contracts where revenue is recognized as invoiced and contracts with variable consideration related to undelivered performance obligations, is not material.

Assets Recognized from the Costs to Obtain a Contract with a Customer

ASC 606 requires that the Company capitalize incremental costs of obtaining a contract such as sales commissions. The guidance provides certain practical expedients that limit this requirement. The Company has elected to use the practical expedient in ASC 340-40-25-4 which allows us to recognize the incremental cost of obtaining a contract, such as sales commissions paid to our employees, as an expense when incurred if the amortization period of the asset that the entity otherwise would have recognized is one year or less.

(4) Leases

The Company has commitments under operating leases for office space and radio tower sites used in its operations. Our leases have initial lease terms that expire between 2020 and 2082, most of which include options to extend or renew the leases. Currently, we do not have finance leases. Our annual rental expenses can range from less than \$3 thousand up to \$0.5 million. The Company determines if an arrangement is a lease at contract inception. A lease exists when a contract conveys to the customer the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The definition of a lease embodies two conditions: (1) there is an identified asset in the contract that is land or a depreciable asset (i.e., property, plant, and equipment), and (2) the customer has the right to control the use of the identified asset.

Certain rental agreements for office space and radio towers contain non-lease components such as common area maintenance and utilities. The Company elected to apply the practical expedient that permits lessees to make an accounting policy election to account for each separate lease component of an office space and radio tower lease contract and its associated non-lease components as a single lease component. Certain rental agreements for office space and radio towers also include taxes and insurance which are not considered lease components.

Consideration for office space and radio tower site leases generally includes fixed monthly payments. The lease term begins at the commencement date and is determined on that date based on the term of the lease, together with periods covered by an option to extend the lease if the Company is reasonably certain to exercise that option. When evaluating whether the Company is reasonably certain to exercise an option to renew the lease, the Company is required to assess all relevant factors that create an economic incentive for the Company to exercise the renewal.

The various discount rates are based on the Company's incremental borrowing rate due to the rate implicit in the leases being not readily determinable. The Company's incremental borrowing rate is the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term an amount equal to the lease payments in a similar economic environment. The Company used publicly available information about low-grade debt, adjusted for the effects of collateralization, to determine the various rates it would pay to finance transactions over similar time periods.

The Company elected to apply a package of practical expedients that allows it not to reassess (i) whether any expired or existing contracts are or contain leases, (ii) lease classification for any expired or existing leases, and (iii) initial direct costs for any expired or existing leases.

The following table summarizes the components of lease cost for the year ended December 31, 2019 (in thousands):

	Year Er	ıded
	December 3	31, 2019
Operating lease cost	\$	4,202
Sublease income		(1,872)
Total lease cost	\$	2,330

Lease costs for the year ended December 31, 2018 include minimum rental payments under operating leases recognized on a straight-line basis over the term of the lease including any periods of free rent. Rental expense for operating leases during the year ended December 31, 2018 amounted to \$3.9 million.

At December 31, 2019, amounts reported in the Consolidated Balance Sheet are as follows (in thousands):

	Year Ended		
Operating Leases:	December 31, 2019		
Operating lease right-of-use assets	\$	17,978	
Operating lease liabilities		948	
Operating lease liabilities - net of current portion		17,538	
Total operating lease liabilities	\$	18,486	
Other information			
Operating cash flows from operating leases	\$	1,775	
Right-of-use assets obtained in exchange for new lease liabilities	\$	7,701	
Weighted-average remaining lease term	13.8 years		
Weighted average discount rate		12.7%	

At year end December 31, 2019, the company reclassified \$1.6 million of operating lease right of use assets and \$1.5 million of operating lease liabilities to assets and liabilities held for sale, further discussed in Note 6 – Assets and Liabilities Held For Sale.

Future minimum lease payments under operating leases as of December 31, 2019 are as follows (in thousands):

Year ending December 31:	
2020	\$ 3,202
2021	2,976
2022	2,922
2023	2,791
2024	2,851
Thereafter	 28,694
Total undiscounted lease payments	\$ 43,436
Less: imputed interest	 24,950
Total lease liabilities	\$ 18,486

We have agreements to sublease our radio frequencies and portions of our tower sites and buildings. Such agreements provide for payments through 2023. Future minimum rental income to be received under these agreement as of December 31, 2019 is as follows:

Year ending December 31:	
2020	\$ 558
2021	436
2022	311
2023	104
2024	 <u> </u>
Total undiscounted lease payments	\$ 1,409

(5) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2019 and 2018 consist of the following (in thousands):

	:	2019	2018
Production tax credits	\$	2,938	\$ 2,513
FCC repack assets (1)		1,430	1,086
Prepaid expenses		2,511	3,432
Other current assets		596	449
	\$	7,475	\$ 7,480

(1) Pursuant to the FCC's Television Broadcast Incentive Auction, repack assets are reimbursable by the FCC, of which \$1.2 million of the balance is being used towards the build-out of a third party antenna with the remaining \$0.2 million being used in the construction and purchase of company assets.

(6) Assets and Liabilities Held for Sale

During 2019, the Company entered into a brokerage agreement with a broker to market various assets related to our Houston, KTBU, operations which are part of our television assets. The Company's KTBU FCC license, certain transmission related fixed assets and an operating lease related to the transmission site have been reclassified to assets and liabilities held for sale as these assets were approved for immediate sale in their present condition, were expected to be sold within one year and management was actively working to locate buyers for these assets. On January 21, 2020, the Company entered into an asset purchase agreement with KHOU-TV, Inc. to sell these assets for \$15 million, exclusive of closing costs, and the Company subsequently closed on the sale on March 23, 2020. Assets with a carrying amount of \$12.5 million were reclassified to assets held for sale and operating lease liabilities with a carrying amount of \$1.5 million were reclassified to liabilities held for sale.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205-20-45, Discontinued Operations, a disposal of a component of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that will have a major effect on the entity's operations and financial results. Management determined that the disposition did not represent a strategic shift that will have a major effect on the Company's operations and financial results, therefore the operations in the Houston, TX, market were not reported as discontinued operations. Operating income for our Houston station was \$0.3 million for the year ended December 31, 2019.

A summary of assets and liabilities held for sale as of December 31, 2019 is as follows (in thousands):

	 2019
FCC broadcasting licenses	\$ 10,432
Property and equipment, net	425
Operating lease right-of-use asset	 1,617
Assets held for sale	\$ 12,474
Operating lease liabilities	\$ 54
Operating lease liabilities, net of current portion	 1,456
Liabilities held for sale	\$ 1,510

Pursuant to an agreement entered into by the Company, as of September 12, 2017, with 26 W. 56 LLC, the Company closed on the sale of its New York facilities on July 19, 2018 with a carrying value of \$0.4 million for \$14.0 million, exclusive of closing costs. The Company recognized a gain on the sale of the New York facilities of \$12.5 million. Additionally, the sale of the New York facilities resulted in net proceeds of \$10.4 million to the Company, as defined by the Indenture governing the Notes, which is calculated differently than the recognized gain for financial reporting purposes. In order to arrive at net proceeds, as defined by the Indenture, the Company is permitted to hold back certain amounts related to taxes, relocation expenses and capital expenditures that are expected to become payable in the future. The net proceeds of \$10.4 million was used to repay a portion of the Notes on August 23, 2018.

(7) Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2019 and 2018 (in thousands):

	:	2019	2018	Estimated useful lives
Land	\$	6,456	\$ 6,456	_
Building and building improvements		22,569	22,385	7–20 years
Tower and antenna systems		5,402	5,627	10 years
Studio and technical equipment		21,177	22,413	5–10 years
Furniture and fixtures		3,331	3,175	5–10 years
Transmitter equipment		8,609	8,605	10 years
Leasehold improvements		3,413	3,064	1–20 years
Computer equipment and software		9,650	8,807	3–5 years
Other		2,419	2,328	3–5 years
		83,026	82,860	
Less accumulated depreciation		(60,004)	(60,446)	
	\$	23,022	\$ 22,414	

During the years ended December 31, 2019 and 2018, depreciation of property and equipment totaled \$3.6 and \$3.8 million, respectively.

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2019 and 2018 consist of the following (in thousands):

	 2019	2018
Accounts payable – trade	\$ 2,050	\$ 1,913
Accrued compensation and commissions	8,463	7,209
Accrued professional fees	1,559	1,745
Accrued music license fees	1,395	2,157
Accrued step-up leases	_	448
Accrued franchise and rent tax	1,273	1,735
Other accrued expenses	 5,593	 5,163
	\$ 20,333	\$ 20,370

(9) 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, as a result of which there was an event of default under the Indenture on April 17, 2017 (being the payment date following the Saturday, April 15, 2017 maturity date).

At December 31, 2019, there is \$249.9 million in principal amount of Notes outstanding. As a result, there has been and remains an event of default under the Indenture which gives the holders of our Notes the right to demand repayment of the Notes and, subject to the terms of the Indenture, to foreclose on our assets that serve as collateral for the Notes. The collateral constitutes substantially all of our assets. We continue to pay interest on the Notes at their current rate of 12.5% per year on a monthly basis. We sold our Los Angeles real estate for \$14.7 million and a portion of our Puerto Rico television spectrum for \$5.5 million, during 2017, and our New York real estate for \$14.0 million in the third quarter of 2018, whose net proceeds, as defined by the Indenture, we used to repay a portion of the Notes. See Note 2 elsewhere in these financial statements for additional detail regarding our recapitalization efforts and our failure to repay the Notes at maturity.

On May 8, 2017, the Company, and certain of its subsidiaries entered into a Forbearance Agreement with the certain Noteholders, owning more than 75% the principal amount of the outstanding Notes. These Noteholders agreed to forbear from exercising any of their rights and remedies under the Indenture, 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 and (b) May 31, 2017. As part of the Forbearance Agreement, the Company agreed to make monthly interest payments of approximately \$2.9 million on the Notes for the 30 day periods ending on May 15, 2017 and June 15, 2017, rather than on a semi-annual basis as required by the Indenture. The Company also agreed to pay a consent fee to these Noteholders equal to 0.35% of the principal amount of the Notes held by such parties and to pay the legal fees and financial advisor due diligence fees of these Noteholders. The Forbearance Agreement expired and has not been extended. As of the date of the filing of these financial statements, the Company had made all of the payments required to be made under the Forbearance Agreement and has continued to make monthly interest payments on the Notes on the 15th day of each month and continued to pay the monthly legal and financial advisor due diligence fees of these Noteholders.

On July 19, 2018, the Company closed on the sale of its New York facilities and used the net proceeds to pay down a portion of the outstanding indebtedness on our Notes. On August 23, 2018, net proceeds, as defined by the Indenture, of \$10.4 million were delivered directly to the trustee in order to pay down our Notes.

A summary of the outstanding balance of our Notes, as of December 31, 2017 and changes through the year ended December 31, 2019, is presented below (in thousands). Redemptions listed below were made with the net proceeds of asset sales described above.

12.5% Senior Notes due 2017, as of December 31, 2017	\$ 260,274
Redemption of Notes (August 23, 2018)	 (10,410)
12.5% Senior Notes due 2017, as of December 31, 2019 and 2018	\$ 249,864

(a) Interest

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

Although our secured leverage ratio was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for the twelve-month period ended December 31, 2019.

(b) Collateral and Ranking

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

The Indenture permits us, under specified circumstances, to incur additional debt; however, the occurrence and continuance of the Voting Rights Triggering Event (as defined in Note 10 to the audited 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 non-guarantor subsidiaries.

(c) Covenants and Other Matters

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

- incur or guarantee additional indebtedness;
- pay dividends or make other distributions, repurchase or redeem our capital stock and make certain restricted investments and make other restricted payments;
- sell assets;
- incur liens:
- enter into transactions with affiliates;
- engage into sale and leaseback transactions;
- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries' ability to pay dividends, make loans and sell assets to the Company and other restricted subsidiaries;
- enter into change of control transactions;
- manage our FCC licenses and broadcast license subsidiaries; and
- consolidate, merge or sell all or substantially all of our assets.

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

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

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

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

Holders of the Series B preferred stock have customary protective provisions. The Certificate of Designations governing the Series B preferred stock (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 remained on the Board of Directors until their resignation on August 17, 2017. The holders of the Series B preferred stock have the right to elect two new directors to the Board of Directors to fill the seats vacated by Messrs. Miller and Stone for their unexpired terms at a special meeting of the holders of the Series B preferred stock. As of the date of these Consolidated Financial Statements, the holders of the Series B preferred stock have not elected any new directors to fill the vacated seats. The two vacancies on the Board of Directors will remain unfilled until such time as the holders of the Series B preferred stock appoint two new directors.

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

Persons claiming to own 94.16% of our Series B preferred stock filed a complaint against us in the Delaware Court of Chancery, in *Cedarview Opportunities Master Fund, L.P., et al. v. Spanish Broadcasting System, Inc.* (Del.Ct.Ch. C.A. No. 2017-0785-AGB), on November 2, 2017, which was subsequently amended. The complaint, as amended (the "Preferred Holder Complaint"), alleges counts for breach of contract, breach of the implied covenant of good faith and fair dealing and specific performance regarding the Certificate of Designations governing the Series B preferred stock (the "Certificate of Designations") in connection with a forbearance agreement we entered into with certain Noteholders on May 8, 2017 (the "Forbearance Agreement") and breach of our Third Amended and Restated Certificate of Incorporation (the "Charter") and for a declaratory judgment regarding the validity of a provision of the Charter regarding the foreign ownership issues described below.

For additional detail regarding the Series B preferred stock litigation, see Note 15, Litigation, of the Notes to the Consolidated Financial Statements.

Given the information that was disclosed to us in the Preferred Holder Complaint regarding the purported ownership of a majority of the Series B preferred stock by foreign persons, we were required to take immediate remedial action in order to ensure that any violations of the Communications Act and our Charter resulting from that ownership did not adversely affect our FCC broadcast licenses and ability to continue our business operations. Accordingly, on November 28, 2017, consistent with our obligations and authority provided to us under the Communications Act and by Article X of our Charter, we notified holders of our Series B preferred stock that we were suspending all rights, effective immediately, of the holders of the Series B preferred stock, other than their right to transfer their shares to a citizen of the United States. Such suspension of rights was meant from the outset to be a temporary and reasonable measure, intended to elicit the information necessary to determine which Series B preferred stock sales were proper under the Charter. The Company pledged to restore the suspended rights to each shareholder that demonstrated it was neither an alien nor a representative of an alien or upon a showing that its ownership of Series B preferred stock (including stakes held by any non-U.S. entities) complies with Section 310(b) of the Communications Act and the Charter.

Additionally, on November 13, 2017, the Company filed a notification with the FCC to apprise the FCC of the possible noncompliance with the Communications Act's limits on foreign ownership. On December 4, 2017, the Company also filed a petition with the FCC for declaratory ruling (the "Petition") with respect to the potential excess foreign ownership. The Company filed the Petition not because it had concluded that an affirmative FCC public interest ruling regarding recognized foreign ownership was required, but at the suggestion of FCC staff to ensure the Company had prophylactically availed itself of the "safe harbor" protections of Section 1.5004(f)(4) of the FCC's Rules, in the event such a declaratory ruling ultimately proved necessary. This suggestion came after the Company had previously notified the FCC of a possible Section 310(b) foreign ownership issue triggered by the filing of the Preferred Holder Complaint. The FCC responded to the Petition by sending a letter to the Company detailing the information the FCC would need regarding the identities and nature of the purported foreign ownership of the Series B preferred stock to make a determination regarding the Petition and establishing a deadline for the disclosure of that information. The purported Series B preferred stockholders were therefore required to provide to the Company sufficient information about the extent and nature of their foreign ownership to enable the Company to supplement Petition with this additional information. On March 23, 2018, counsel for the purported holders of most of the Series B preferred stock filed a letter with the FCC supplying a significant portion of the information requested. The Company reviewed this information in order to determine whether it was complete, true and correct, as required by the FCC's rules, and requested some additional information from the Series B preferred stockholders. The purported Series B preferred stockholders did not provide any additional information regarding the timing of their alleged purchases of Series B preferred stock until December 5, 2018. On that date, such stockholders filed responses to the Company's interrogatories in the Series B Preferred Stock Litigation. These responses contained a significant portion of the pending information that was originally solicited on November 2017 and January 2018, respectively. The new information mainly consisted of the trading information in the Series B preferred stock, including dates of acquisition, the number of shares purportedly acquired in each transaction and, to the extent available, seller information. On December 6, 2018, the Company received a letter from the Enforcement Bureau of the Investigations and Hearings Division (the "Bureau") of the FCC advising the Company that it was under investigation for potential violations of Section 310(b) of the Communications Act related to excess foreign ownership of broadcast stations. As part of its investigation, the Bureau requested of the Company detailed information and supporting documentation about the identities of the Series B preferred stockholders, the potential for a foreign ownership violation, the dates that the Company became aware of the situation, and the steps it took to address the situation. The Company timely filed our response to the Bureau's letter of inquiry on February 8, 2019. As of the date of this Annual Report, we have not received a response or any additional inquiries from the Bureau regarding this investigation.

Previously, on April 27, 2018, the Company had announced publicly that the purported foreign ownership excess did not exist. On this date, the Company issued Notices of Ineffective Purported Purchase of Series B Preferred Stock (the "Notices") to each of West Face Long Term Opportunities Global Master L.P., Stornoway Recovery Fund LP, Stonehill Master Fund Ltd. and Ravensource Fund notifying these investors that their claimed purchases of Series B preferred stock would be treated as void and non-existent because these investors attempted to acquire these shares in transactions that, if given effect, would have violated the Charter. In the Notices, the Company invited these investors to demonstrate facts to the contrary supported by relevant documentation. However, these investors have not provided the Company with any facts or provided any documentation that would support a different legal conclusion.

As stated above, the Company takes the position that certain of the purported non-U.S. preferred stockholders do not currently hold valid equity interests in the Company, with the result that there is no foreign ownership excess. For this reason, the Company did not claim in its Petition or any supplement thereto that it would be in the public interest for the relevant entities to hold aggregate interests exceeding the 25 percent foreign ownership benchmark. As stated in the original Petition, the Company then recognized that its showing "is not yet complete with respect to the FCC's ability to render a decision regarding the ... public interest inquiry." Because the share transfers that gave rise to some or all of the Series B preferred stock ownership claims of several purported non-U.S. preferred stockholders are invalid, there would be no need for such a showing unless a court first determines that the suspect transactions must be honored. Accordingly, both the Company and the purported Series B preferred stockholders have suggested that the FCC should consider simply holding the Petition in abeyance until the Series B Preferred Stock Litigation is resolved.

As of the date of these financial statements, the Company believes that there remain genuine questions regarding valid ownership, or good title, to the Series B preferred stock by these foreign investors. As a result, we intend to remain vigilant regarding compliance with the Communications Act and our Charter and will continue to evaluate information provided to us by the purported holders of the Series B preferred stock. Because we have not yet received all of the requisite information from the purported holders, we have been unable to effectively determine whether to withdraw the suspension of their rights as owners of such preferred stock or the extent of any additional remedial action by the Company that may be necessary.

Quarterly Dividends

Under the terms of our Series B preferred stock, the holders of the outstanding shares of the Series B preferred stock are entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, dividends on the Series B preferred stock at a rate of 10 3/4% per year, of the \$1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates. While the Voting Rights Triggering Event continues, we cannot pay dividends on the Series B preferred stock without causing a breach of covenants under the Indenture governing our Notes.

As of December 31, 2019, the aggregate cumulative unpaid dividends on the outstanding shares of the Series B preferred stock was approximately \$94.5 million, which is accrued on our consolidated balance sheet as 10 ¾% Series B cumulative exchangeable redeemable preferred stock.

Accounting Treatment of the Preferred Stock

The Series B preferred stock will be measured at subsequent reporting dates at the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the 10 3/4% accruing quarterly dividends will be recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense") as required by ASC 480. During the years 2019 and 2018, we recorded \$9.7 million as dividends on Series B preferred stock classified as interest expense.

(11) Stockholders' Equity

(a) Series C Convertible Preferred Stock

We are required to pay holders of Series C convertible preferred stock, \$0.01 par value per share (the "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.

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.

Mr. Alarcón is also the beneficial owner of all the shares of Series C preferred stock which are convertible into 760,000 shares of Class A common stock, subject to certain adjustments.

(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 Charter). 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) Share-Based Compensation Plans and Other Share Based Compensation

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 share-based awards can be granted under this plan.

1999 Stock Option Plans

In September 1999, we adopted an employee incentive stock option plan (the "1999 ISO Plan") and a nonemployee director stock option plan (the "1999 NQ Plan", and together with the 1999 ISO Plan, the "1999 Stock Option Plans"). Options granted under the 1999 ISO Plan vest according to the terms determined by the compensation committee of our Board of Directors, and have a contractual life of up to ten years from the date of grant. Options granted under the 1999 NQ Plan vest 20% upon grant and 20% each year for the first four years from the date of grant. All options granted under the 1999 ISO Plan and the 1999 NQ Plan vest immediately upon a change in control of SBS, as defined therein. A total of 300,000 shares and 30,000 shares of Class A common stock were reserved for issuance under the 1999 ISO Plan and the 1999 NQ Plan, respectively. In September 2009, our 1999 Stock Option Plans expired; therefore, no more options can be granted under these plans. Options granted under the 1999 Stock Option Plans expired during 2018.

Other Share-Based Compensation

In February 2016, the Company issued options to purchase 75,000 shares of the Company's Class A Common Stock to an individual as an inducement to his taking a position with the Company. The options vest over a three-year period and have a ten-year term commencing on their vesting dates. If the employee is terminated without cause or resigns after a change in control, the options automatically vest. The grant was outside of the Company's 2006 Omnibus Plan in accordance with the then applicable NASDAQ Stock Market rules.

Accounting for Share-Based Compensation

We recognize share-based compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model. For these awards, we have recognized compensation expense using a straight-line amortization method (prorated). Share-based compensation expense is based on awards that are ultimately expected to vest. Share-based compensation for the years ended December 31, 2019 and 2018 was reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures. For the years ended December 31, 2019 and 2018, share-based compensation totaled \$10 thousand and \$44 thousand, respectively.

As of December 31, 2019, there was no unrecognized compensation costs related to nonvested stock-based compensation arrangements granted under all of our plans.

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

During the years ended December 31, 2019 and 2018, no stock options were exercised; therefore, no cash payments were received. In addition, during the years ended December 31, 2019 and 2018 we did not recognize a tax benefit on our stock-based compensation expense due to our valuation allowance on substantially all of our deferred tax assets.

Valuation Assumptions

We calculated the fair value of each option award on the date of grant using the Black-Scholes option pricing model. The per share weighted average fair value of the stock options granted to employees during 2019 was \$0.21. The following weighted average assumptions were used for each respective period:

	2019
Expected term	7
Dividends to common stockholders	None
Risk-free interest rate	2.58%
Expected volatility	140.99

Our computation of expected volatility for the year ended December 31, 2019 was based on a combination of historical and market-based implied volatility from traded options on our stock. Our computation of expected term in 2019 was determined based on historical experience of similar awards, giving consideration to the contractual terms of the stock-based awards, vesting schedules and expectations of future employee behavior. The information provided above results from the behavior patterns of separate groups of employees that have similar historical experience. The interest rate for periods within the contractual life of the award is based on the U.S. Treasury yield curve in effect at the time of grant.

Stock Options and Nonvested Shares Activity

Stock options have only been granted to employees or directors. Our stock options have various vesting schedules and are subject to the employees' continuing service. A summary of the status of our stock options, as of December 31, 2019 and 2018, and changes during the years ended December 31, 2019 and 2018, 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, 2017	393	\$ 3.48		
Granted	_	_		
Exercised	_	_		
Forfeited	(23)	3.39		
Outstanding at December 31, 2018	370	\$ 3.49		
Granted	75	0.22		
Exercised	_	_		
Forfeited	(10)	7.30		
Outstanding at December 31, 2019	435	\$ 2.84	\$ 8,325	6.8
Exercisable at December 31, 2019	385	\$ 3.18	\$ 2,775	6.3

The following table summarizes information about our stock options outstanding and exercisable at December 31, 2019 (in thousands, except per share data and contractual life):

Range of Exercise Prices	Vested Options	Unvested Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Options Exercisable	Weighted Average Exercise Price
\$0.22 - 0.99	25	50	\$ 0.22	10.6	25	\$ 0.22
1.00 - 1.99	10	_	1.03	1.8	10	1.03
2.00 - 2.99	75	_	2.99	8.0	75	2.99
3.00 - 4.99	260	_	3.14	5.9	260	3.14
5.00 - 9.99	10	_	7.70	0.8	10	7.70
10.00 - 17.90	5	_	17.90	0.4	5	17.90
	385	50	\$ 2.84	6.8	385	\$ 3.18

Nonvested shares (restricted stock) are awarded to employees under our Omnibus Plan. In general, nonvested shares vest over two to five years and are subject to the employees' continuing service. The cost of nonvested shares is determined using the fair value of our common stock on the date of grant. The compensation expense is recognized over the vesting period. As of December 31, 2019 and 2018, there were no nonvested shares outstanding.

(12) Commitments

(a) Employment and Service Agreements

At December 31, 2019, we are committed to employment and service contracts for certain executives, on-air talent, general managers, and others expiring through 2024. Future payments under such contracts are as follows (in thousands):

Year ending December 31:		
2020	\$	9,793
2021		7,453
2022		4,593
2023		1,284
2024		271
Thereafter		
	<u>\$</u>	23,394

(b) 401(k) Profit-Sharing Plan

In September 1999, we adopted a tax-qualified employee savings and retirement plan (the "401(k) Plan"). We can make matching and/or profit-sharing contributions to the 401(k) Plan on behalf of all participants at our sole discretion. All full-time employees are eligible to voluntarily participate in the 401(k) Plan after their 90 day introductory period. To date, we have not made contributions to this plan.

(c) Other Commitments

At December 31, 2019, we have commitments to vendors that provide us with goods or services. These commitments included services for rating services, programming contracts, software contracts and others.

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

\$ 9,871
1,819
666
\$ 12,356

(13) Income Taxes

Total income tax benefit, from continuing operations, for the years ended December 31, 2019 and 2018 were as follows (in thousands):

	2019	2018		
Income tax benefit	\$ (1,400)	\$ (6,471)		

For the years ended December 31, 2019 and 2018, loss before income tax (benefit) expense consists of the following (in thousands):

	20	19	2018
U.S. operations	\$	(7,222)	\$ 4,107
Foreign operations		4,894	5,913
	\$	(2,328)	\$ 10,020

The components of the provision for income tax (benefit) expense from continuing operations included in the consolidated statements of operations are as follows for the years ended December 31, 2019 and 2018 (in thousands):

	2019		2019	
Current:				
Federal	\$	73	\$	212
State and local, net of federal income tax benefit		81		65
Foreign		1,952		2,299
		2,106		2,576
Deferred:				
Federal		(1,785)		(8,804)
State and local, net of federal income tax benefit		(1,721)		(243)
Foreign		_		_
		(3,506)		(9,047)
Total income benefit expense, from continuing operations	\$	(1,400)	\$	(6,471)

For the year ended December 31, 2019 and 2018, approximately \$3.3 million and \$2.3 million, respectively, of Puerto Rico NOL carry-forwards were utilized. For the year ended December 31, 2019 and 2018, \$24.3 million and \$0.2 million, respectively, federal NOL carry-forwards were utilized.

The tax effect of temporary differences and carry-forwards that give rise to deferred tax assets and deferred tax liabilities at December 31, 2019 and 2018 are as follows (in thousands):

	 2019		2018
Deferred tax assets:			
Federal and state NOL carry-forwards	\$ 28,210	\$	35,350
Foreign NOL carry-forwards	6,721		7,912
FCC licenses	6,543		6,204
Allowance for doubtful accounts	804		1,174
Unearned revenue	316		263
AMT credit	1,228		1,121
Interest disallowance	11,571		8,084
Property and equipment	2,116		1,228
Accrued foreign withholding	2,693		2,513
Production costs	6,046		6,785
Stock-based compensation	118		134
Intercompany expenses	8,127		6,966
Accrued Vacation/Bonus/Payroll	825		654
Right of use liability	5,917		_
Other	1,673		1,781
Total gross deferred tax assets	82,908		80,169
Less valuation allowance	(57,538)		(64,425)
Net deferred tax assets	25,370		15,744
Deferred tax liabilities:			
FCC licenses and goodwill	88,291		87,968
Right of use asset	5,797		_
Total gross deferred tax liabilities	94,088		87,968
Net deferred tax liability	\$ 68,718	\$	72,224

The net change in the total valuation allowance for the years ended December 31, 2019 and 2018 was a decrease of \$6.9 million and an increase of \$1.7 million, respectively. The valuation allowance at 2019 and 2018 was primarily related to domestic pre tax reform carry-forwards, future deductible amounts related to the excess tax basis over the book basis of certain FCC broadcasting licenses, intercompany expenses, production costs, and other various items. In 2019, the overall decrease in the valuation allowance was a result of the utilization of pre-reform NOLs.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management also considered the company's going concern as part of their assessment. As of December 31, 2019, the valuation allowance is comprised of \$31.7 million in the US and \$25.8 million in Puerto Rico. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, at this time, management believes it is more likely than not that we will not realize the benefits of the majority of these deductible differences. As a result, we have established and maintained a valuation allowance for that portion of the deferred tax assets we believe will not be realized. At December 31, 2019, we have federal and state NOL carry-forwards available of approximately \$92.1 million and \$91.3 million, respectively. A portion of these NOL carry-forwards available to offset future taxable income were generated pre-tax reform and therefore expire from the years 2020 through 2037. In addition, at December 31, 2019, we have foreign NOL carry-forwards of approximately \$24.2 million available to offset future taxable income expiring from the years 2020 through 2024.

The Company underwent ownership changes (pursuant to Section 382) in 2013 and 2017. As a result of the 2017 ownership change, the Company reduced its NOL carry-forwards by \$32.8 million as of December 31, 2017 because of ownership changes under Section 382, all of which was adjusted against the corresponding valuation allowance. Therefore there was no impact to our income statement or balance sheet.

The conclusions as to the ownership changes was based on applicable provisions of the Internal Revenue Code, related Treasury Regulations for Section 382. Based solely on these provisions, the Company believes that a 2017 ownership change occurred. Therefore available NOL carry-forwards were reported in the Consolidated Financial Statements reflecting such a change. This determination was made based on different provisions, laws and regulations than the separate and different conclusion the Company made regarding valid ownership of its capital stock in 2017 for purposes of its Charter and the Communications Act, as described above under "Part 1. Item 1. Business—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue." The Company evaluated its position based on the facts and circumstances that were currently available and may reevaluate the conclusion regarding the occurrence of a 2017 ownership change for income tax and financial statement purposes based on additional facts and developments in the future. The NOL's that were subject to the 2017 ownership change did have a full valuation allowance against them. Therefore, if the Company subsequently determined it did not experience this additional ownership change in August 2017, there would be no impact to the Company's financial position and results of operations.

Total income tax (benefit) expense from continuing operations differed from the amounts computed by applying the U.S. federal income tax rate of 21.0% for the years ended December 31, 2019 and 2018, as a result of the following:

	2019	2018
Computed "expected" tax (benefit) expense	21.0 %	21.0 %
State and local income taxes, net of federal benefit	23.7	(4.1)
Intercompany debt charge off	_	(135.4)
Foreign tax differential	(18.2)	7.5
Prior year adjustment	2.8	_
Current year change in valuation allowance	221.4	(6.9)
Nondeductible expenses	(1.3)	4.3
Florida valuation allowance release	24.7	
Nondeductible interest expense	(87.8)	20.4
US GILTI tax inclusion	(34.1)	10.2
Non-deductible recapitalization costs	(61.7)	14.6
U.S. 162(m) limitation	(22.0)	_
Meals and entertainment disallowance	(3.7)	_
Puerto Rico management fee	(2.2)	
Puerto Rico tax credits sold	4.4	_
Parking disallowance	(1.2)	
Foreign-derived intangible income deduction	1.9	_
Change in effective rate	19.9	2.2
Return to provision	(12.4)	(0.2)
Puerto Rico withholding taxes	(7.7)	
Puerto Rico alternative minimum tax	(3.8)	_
Other	(3.5)	1.8
	60.2 %	(64.6)%

During 2018, the company wrote off intercompany debt with its Puerto Rico subsidiary for US income tax purposes. This resulted in a favorable deduction for the US consolidated group. These amounts are included as components of income tax expense from continuing operations in the fourth quarter of 2018 and had a (135.4%) impact on our annual effective income tax rate. This did not reoccur for 2019.

On December 10, 2018, the Puerto Rico government enacted Act 257-2018 ("PR Tax Act") introducing several amendments to the Puerto Rico Code. The most relevant income tax change includes a reduction of the maximum corporate income tax rate to 37.5%, from 39% effective January 1, 2019. Due to the full valuation allowance on Puerto Rico deferred taxes, there is no overall rate impact as a result of the PR Tax Act.

On December 22, 2017, H.R. 1 formerly known as the "Tax Cuts and Jobs Act," was enacted into law. The Tax Legislation includes changes to existing tax law, including a permanent reduction in the federal corporate income tax rate from 35% to 21%. The rate reduction takes effect on January 1, 2018. At December 31, 2017, we have not completed our accounting for the tax effects of enactment of the Act; however, we have made reasonable estimate of the effects on our existing deferred tax balances. We recognized a net tax benefit of \$34.7 million, which is net of valuation allowance on the deferred tax assets, primarily due to re-measurement of deferred tax assets and liabilities associated with the enactment of the Tax Legislation. These amounts are included as components of income tax expense from continuing operations in the fourth quarter of 2017 and had a 688.4% impact on our annual effective income tax rate.

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, California, Illinois, Texas and Puerto Rico are the major tax jurisdictions where we file income tax returns. The tax years that remain subject to assessment of additional liabilities by the federal, state and local tax authorities are 2015 through 2018. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2013 through 2018.

For the years ended December 31, 2019 and 2018, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. Our evaluation was performed for the tax years ended December 31, 2015 through December 31, 2018, which are the tax years that remain subject to examination by the tax jurisdictions as of December 31, 2019. We do not expect any unrecognized tax benefits to significantly change over the next twelve months.

(14) Contingencies

Local Tax Assessment

The Company received an audit assessment (the "Assessment") wherein it was proposed that the Company underpaid a local tax for the tax periods between June 1, 2005 and May 31, 2015 totaling \$1,993,624 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 \$475,000, based upon our current best estimate of probable loss, was charged to operations in the second quarter of 2016. However, if the settlement offer is not accepted by the jurisdiction, the amount of the ultimate loss to the Company, if any, may equal the entire amount of the Assessment sought by the taxing jurisdiction.

(15) Litigation

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

Series B Preferred Stock Litigation

Persons claiming to own 94.16% of our Series B preferred stock filed a complaint against us in the Delaware Court of Chancery, in Cedarview Opportunities Master Fund, L.P., et al. v. Spanish Broadcasting System, Inc. (Del.Ct.Ch. C.A. No. 2017-0785-AGB), on November 2, 2017, which was subsequently amended. The amended complaint (the "Preferred Holder Complaint") alleges counts for breach of contract, breach of the implied covenant of good faith and fair dealing and specific performance regarding the Certificate of Designations in connection with a forbearance agreement we entered into with certain Noteholders on May 8, 2017 (the "Forbearance Agreement") and breach of our Charter and for a declaratory judgment regarding the validity of a provision of the Charter regarding the foreign ownership issues described below. Specifically, it alleges that the Forbearance Agreement (which expired on May 31, 2017) and certain payments pursuant thereto were barred by the Certificate of Designations due to the existence of a "Voting Rights Triggering Event" under the Certificate of Designations because, among other things, the forbearance agreement allegedly constituted a "de facto" extension or refinancing of the Notes. The Preferred Holder Complaint alleges that SBS breached the Charter by suspending certain rights of the Series B preferred stockholders, and that Section 10.4 of the Charter is overbroad and thus invalid as a matter of Delaware law. The complaint requests relief including, among other things, an order interpreting and enforcing the Certificate of Designations, preventing us from making any additional payments on the Notes and requiring us to redeem the Series B preferred stock at face value plus accrued dividends (or approximately \$185.0 million as of December 31, 2019), as well as unspecified money damages and a declaration that Section 10.4 of the Charter is invalid. This is the fourth lawsuit filed against us by holders or purported holders of our Series B preferred stock, the first three of which we successfully challenged and won. We believe these claims are without merit, and we intend to defend ourselves vigorously. The Company filed a motion to dismiss these claims, for which oral argument was heard on April 12, 2018. The Company received a ruling on the motion to dismiss on August 27, 2018. The ruling granted the Company's motion to dismiss in part and denied it in part. The court dismissed the claim for breach of the implied covenant of good faith and fair dealing and dismissed the claim for specific performance (insofar as it sought a redemption of the Series B preferred stock) and dismissed the claim for a declaratory judgment regarding the Charter (insofar as it sought a

declaration that Section 10.4 of the Charter is invalid on the face). The other claims in the Preferred Holder Complaint were not dismissed and remain pending before the court. On September 24, 2019, we filed counterclaims in this matter claiming that certain of the plaintiffs are not valid holders of Series B Preferred stock because their purported purchases were attempted in violation of the Charter and were therefore void as a legal matter by operation of the Charter. On December 18, 2019, we filed a motion for summary judgment against the affected plaintiffs with respect to this issue, and that motion remains pending before the court.

(16) Fair Value Measurement Disclosures

(a) Fair Value of Financial Instruments

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

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

The fair value of the Notes is estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy. The fair value of the Series B cumulative exchangeable redeemable preferred stock was based upon a weighted average analysis using the Black-Scholes method, an income approach, and the yield method resulting in a Level 3 classification. The Black-Scholes method utilized an estimate of the fair value of the SBS equity, volatility, an estimate of the time to liquidity, and a risk free rate in the determination of the SBS preferred fair value. Key assumptions for the income and yield methods included the expected yield on preferred stock, accrued dividends, the principal amount of the Series B preferred stock, and an estimate of the time to liquidity. A discount for lack of marketability of the preferred stock was also utilized in the analysis. The outcome of the Series B preferred stock litigation may impact the fair value of the Series B preferred stock going forward.

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

			Decen	iber 3	1,	
			2019		20	18
	Fair Value	Carrying	Fair	C	arrying	Fair
Description	Hierarchy	Amount	Amount Value		Amount	Value
12.5% senior secured notes	Level 2	\$ 249.	9 263.5	\$	249.9	258.6
10 ³ / ₄ % Series B cumulative exchangeable redeemable	Level 3					
preferred stock		185.	0 66.0		175.3	37.8

From time to time, certain assets or liabilities may be recorded at fair value on a non-recurring basis. During the second quarter 2018, the Company determined there was an impairment on it Puerto Rico television market FCC broadcasting license. A non-cash impairment of \$0.5 million was recorded to reduce the carrying value of the license to its fair value (Level 3 non-recurring fair value measure). Key assumptions used in the discounted cash flow method used to arrive at the fair value were: 0.5% revenue growth, 2.0% mature market share, 24% mature operating profit margin, and a 12% discount rate. At December 31, 2018, the fair value of this license exceeded its carrying value. There were no FCC broadcasting license impairments in 2019.

(17) Segment Data

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

		Year Ended December 31,			
		2019		2018	
Net revenue:					
Radio	\$	140,385	\$	126,399	
Television		16,280		15,970	
Consolidated	<u>\$</u>	156,665	\$	142,369	
Engineering and programming expenses:					
Radio	\$	22,283	\$	21,101	
Television		6,598		4,715	
Consolidated	\$	28,881	\$	25,816	
Selling, general and administrative expenses:					
Radio	\$	58,351	\$	49,585	
Television		6,441		6,387	
Consolidated	\$	64,792	\$	55,972	
Corporate expenses:	\$	11,721	\$	10,540	
Depreciation and amortization:					
Radio	\$	1,623	\$	1,659	
Television	Ψ	1,768	Ψ	1,907	
Corporate		211		235	
Consolidated	\$	3,602	\$	3,801	
Loss (gain) on the disposal of assets, net:	<u> </u>		=		
Radio	\$	(62)	\$	(3)	
Television	Ψ	427	Ψ	(6)	
Corporate		427		(12,541)	
Consolidated	\$	365	\$	(12,550)	
Recapitalization costs:			Ψ	(12,000)	
Radio	\$		\$		
Television	φ	<u> </u>	Ф		
Corporate		6,845		6,713	
Consolidated	\$	6,845	\$	6,713	
	Ψ	0,043	Ψ	0,713	
Executive severance expenses: Radio	\$		\$		
Television	Ф	_	Ф		
Corporate		1,844		_	
Consolidated	\$	1,844	\$		
	Ψ	1,044	Ψ		
Impairment charges: Radio	\$		\$		
Television	Ф	_	Ф	483	
Corporate		_		463	
Consolidated	\$	<u> </u>	\$	483	
	Ψ		Ψ	465	
Other operating income:	ф	(1.6)	ф		
Radio Television	\$	(16)	\$		
Corporate		_		_	
Consolidated	<u></u>	(16)	<u>¢</u>		
	<u>\$</u>	(16)	\$		
Operating income (loss):		50.205	ф	£ 1 0 ==	
Radio	\$	58,206	\$	54,057	
Television		1,046		2,484	
Corporate	ф.	(20,621)	ф.	(4,947)	
Consolidated	\$	38,631	\$	51,594	

		Year Ended December 31,			
		2019 2018			
Capital expenditures:					
Radio	\$	2,003	\$	2,493	
Television		1,337		232	
Corporate		458		182	
Consolidated	\$	3,798	\$	2,907	
	Dec	cember 31, 2019	De	cember 31, 2018	
Total Assets:					
Radio	\$	407,633	\$	386,303	
Television		58,465		55,052	

2,946

469,044

2,957

444,312

(18) Retirement of Senior Executive Vice President and Chief Financial Officer

On May 31, 2019, the Company entered into a Separation Agreement (the "Separation Agreement") with our former Senior Executive Vice President and Chief Financial Officer ("SEVP/CFO"). Pursuant to the Separation Agreement, effective May 31, 2019 (the "Separation Date"), the former SEVP/CFO resigned as an officer and employee of the Company, but will continue to serve as a director of the Company.

Under the Separation Agreement, the former SEVP/CFO received his earned base salary and expenses through the Separation Date, plus \$1,750,000 in cash severance. The cash severance amount represents two times his base salary (that he was entitled to receive under his employment agreement with the Company plus an additional \$700,000, and the cash severance will be paid out over a 12 month period. The former SEVP/CFO's vested stock options will also remain exercisable following the Separation Date, until the expiration of the applicable option term. The former SEVP/CFO is also entitled to continue to participate in the Company's group health plan for six months following the Separation Date at the Company's expense. Thereafter, the former SEVP/CFO may elect COBRA continuation coverage (subject to eligibility and timely election). If he elects such coverage, the Company will pay him a cash lump sum amount equivalent to 18 months of monthly COBRA premiums for the coverage elected. For the year ended December 31, 2019, we expensed \$1.8 million as executive severance expenses which includes severance pay, future benefits and other expenses. As of December 31, 2019, within accounts payable and accrued expenses, there is approximately \$0.4 million that remains accrued related to the executive severance expense.

(19) Related Party Transaction

Corporate

Consolidated

(a) CEO Waiver of Performance Bonus

Pursuant to his Employment Agreement, our Chief Executive Officer (CEO) was entitled to receive a bonus for 2019 if the Company met certain performance metrics for the year. Based on the Company's performance, our CEO would have been entitled to receive a bonus in the amount of \$750,000 for 2019 which was recorded as part of our corporate expenses. Our CEO decided to waive his right to receive a portion of his performance bonus amounting to \$500,000 and notified the Compensation Committee of such decision. The Compensation Committee accepted our CEO's waiver and the Company reversed its prior bonus accrual by \$500,000 and recorded it as a benefit to corporate expenses.

(b) Certain Relationships

Alessandra Alarcón, the daughter of Raúl Alarcón, our Chief Executive Officer, is employed by us as President of SBS Entertainment. Ms. Alarcón's total compensation paid during the fiscal years 2019 and 2018 was \$0.3 million and \$0.2 million, respectively.

(20) Subsequent Events

Outbreak of COVID-19 Coronavirus

The recent global outbreak of COVID-19 has disrupted economic markets and the economic impact, duration and spread of COVID-19 is uncertain at this time. In response to this current health crisis, governmental authorities have imposed certain restrictions, including travel bans and recommendations on the limitation of social gatherings, which have directly impacted our ability to continue producing concerts and special events while those restrictions remain in place. Additionally, significant estimates, as further discussed in note 2(1), which include but are not limited to our FCC broadcasting licenses, goodwill, our allowance for doubtful accounts and the fair value of our Level 2 and Level 3 financial instruments maybe materially and adversely impacted by further governmental actions designed to contain the outbreak of COVID-19. Our operational and financial performance may be significantly impacted by COVID-19, however it is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its effects on our business, financial position, results of operations, liquidity or cash flows, at this time.

Enactment of H.R.748, The CARES Act

On March 27, 2020, President Trump signed into law the CARES Act, in response to COVID-19. The CARES Act is meant to infuse negatively affected companies with various tax cash benefits to ease the impact of the pandemic. Significant impacts of the CARES Act include an increase of the IRC 163(j) Interest Disallowance Limitations from 30% to 50% of adjusted taxable income which will allow the Company to deduct additional interest for the 2019 and 2020 tax years. As a result of the increased interest deduction, the NOL utilization is expected to decrease in 2019 and 2020 resulting in additional carry forwards to be used in future years. The Company is assessing the potential impact of the CARES Act but is currently unable to provide an estimate on the income tax effects due to the timing of the expedited legislation.

Asset Sale - KTBU-TV

On March 23, 2020, the Company completed an asset sale with KHOU-TV, Inc. under which the Company agreed to sell its KTBU-DT FCC license and certain assets used in the transmission of the signal in the Houston, Texas, market. The respective assets were classified as held for sale as of December 31, 2019 and further discussed in note 6 of the Notes to the Consolidated Financial Statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Consolidated Financial Statement Schedule – Valuation and Qualifying Accounts Years Ended December 31, 2019 and 2018 (In thousands)

Description	 alance at ginning of year	Charged to cost and expense	Charged to other accounts	Deductions (1)	Balance at end of year
Year ended December 31, 2018:					
Allowance for doubtful accounts	\$ 1,529	528	_	(408)	1,649
Valuation allowance on deferred taxes	62,688	1,737	_	_	64,425
Year ended December 31, 2019:					
Allowance for doubtful accounts	\$ 1,649	906	_	(1,433)	1,122
Valuation allowance on deferred taxes	64,425	(6,887)	_	_	57,538

(1) Cash write-offs, net of recoveries.

See accompanying report of independent registered public accounting firm.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Exhibit Index

			Incorporated by reference			
Exhibit		Filed		Period		
number	Exhibit description	herewith	Form	ending	Exhibit	Filing date
3.1	Third Amended and Restated Certificate of Incorporation of Spanish					
	Broadcasting System, Inc					
	Spanish Broadcasting System, Inc.		S-1/A		3.1	10/6/99
3.2	Certificate of Amendment to the Third Amended and Restated					
	Certificate of Incorporation of the Company.		S-1/A		3.2	10/6/99
3.3	Certificate of Amendment of Certificate of Incorporation of					
	Spanish Broadcasting System, Inc.		8-K		3.1	7/11/11
3.4	Amended and Restated By-Laws of the Company.		10-Q	03/31/05	3.3	5/10/05
4.1	Article V of the Third Amended and Restated Certificate of					
	Incorporation of the Company.		S-1/A		4.1	10/6/99
4.2	Certificate of Designations dated October 29, 2003 Setting Forth					
	the Voting Power, Preferences and Relative, Participating, Optional					
	and Other Special Rights and Qualifications, Limitations and					
	Restrictions of the 10 3/4% Series A Cumulative Exchangeable					
	Redeemable Preferred Stock of Spanish Broadcasting System, Inc.		10-Q	9/30/03	4.1	11/14/03
4.3	Certificate of Designation Setting Forth the Voting Power,			2720702		
	Preferences and Relative, Participating, Optional and Other Special					
	Rights and Qualifications, Limitations and Restrictions of the					
	Series C Convertible Preferred Stock of the Company (Certificate					
	of Designation of Series C Preferred Stock).		8-K		4.1	12/27/04
4.4	Certificate of Correction to Certificate of Designation of Series C		0 11			12/27/01
	Preferred Stock of the Company.		10-K	12/31/04	4.1	3/16/05
4.5	Senior Secured Notes Indenture, dated as of February 7, 2012,		10 11	12/31/01	1.1	3/10/03
1.0	between Spanish Broadcasting System, Inc. and Wilmington					
	Trust, National Association, as Trustee and Collateral Agent		8-K		99.1	2/13/12
4.6	Description of Securities Registered Pursuant to Section 12 of the		O IX		,,,,1	2/13/12
1.0	Securities Exchange Act of 1934.	X				
10.1*	Common Stock Registration Rights and Stockholders Agreement	71				
10.1	dated as of June 29, 1994 among the Company and certain					
	Management Stockholders named therein. (p)		S-4			6/29/94
10.2*	Spanish Broadcasting System 1999 Stock Option Plan.		S-1/A		10.4	
10.3*	Spanish Broadcasting System 1999 Company Stock Option		2 1/11		1011	10/0/55
10.0	Plan for Nonemployee Directors.		S-1/A		10.4	10/6/99
10.4*	Form of Indemnification Agreement		S-1/A		10.35	
10.5*	Company's 1999 Stock Option Plan as amended on May 6, 2002.		10-Q	6/30/02	10.3	8/14/02
10.6*	Company's 1999 Stock Option Plan for Non-Employee Directors					
	as amended on May 6, 2002.		10-Q	6/30/02	10.4	8/14/02
10.7*	Stock Option Agreement dated as of October 29, 2002 between					
	the Company and Raúl Alarcón, Jr.		10-Q	9/30/02	10.2	11/13/02
10.8*	Nonqualified Stock Option Agreement dated October 27, 2003					
	between the Company and Raúl Alarcón, Jr.		10-K	12/31/03	10.8	3/15/04
10.9*	Non-Qualified Stock Option Agreement dated as of March 3, 2004					
	between the Company and Joseph A. García.		10-Q	3/30/04	10.1	5/10/04
10.10*	Incentive Stock Option Agreement dated as of March 3, 2004					
	between the Company and Joseph A. García.		10-Q	3/30/04	10.2	5/10/04
10.11*	Stock Option Letter Agreement dated as of July 2, 2004					
	between the Company and Jose Antonio Villamil.		10-Q	6/30/04	10.2	8/9/04
10.12	Merger Agreement dated as of October 5, 2004 among Infinity					
	Media Corporation, Infinity Broadcasting Corporation of					

	San Francisco, Spanish Broadcasting System, Inc. and				
	SBS Bay Area, LLC.	8-K		10.1	10/12/04
10.13	Stockholder Agreement dated as of October 5, 2004 among Spanish	0 11		10.1	10/12/01
10.10	Broadcasting System, Inc., Infinity Media Corporation and Raúl				
	Alarcón, Jr.	8-K		10.2	10/12/04
10.14	Registration Rights Agreement dated as of December 23, 2004	0 11		10.2	10,12,0.
1011	between Spanish Broadcasting System, Inc. and				
	Infinity Media Corporation.	8-K		4.3	12/27/04
10.15*	Nonqualified Stock Option Agreement, dated as of March 15, 2005	0 11		1.5	12/2//01
10.15	between the Company and Jason Shrinsky.	10-Q	3/31/05	10.1	5/10/05
10.16*	Nonqualified Stock Option Agreement, dated as of March 15, 2005	10 Q	3,31,03	10.1	5/10/05
10.10	between the Company and Joseph A. García.	10-Q	3/31/05	10.2	5/10/05
10.17*	Spanish Broadcasting System, Inc. 2006 Omnibus Equity	10 4	2,01,02	10.2	0,10,00
1011,	Compensation Plan.	10-Q	6/30/06	10.2	8/8/06
10.18	Agreement for Purchase and Sale dated August 24, 2006, by and	10 4	0,00,00	10.2	0, 0, 00
	between 7007 Palmetto Investments, LLC and the Company.	8-K		10.1	10/30/06
10.19	Amendment to Purchase and Sale dated September 25, 2006, by				- 0, - 0, 0 0
10.17	and between 7007 Palmetto Investments, LLC and the Company.	8-K		10.2	10/30/06
10.20	Second Amendment dated October 25, 2006, by and between 7007				- 0, - 0, 0 0
10.20	Palmetto Investments, LLC and the Company.	8-K		10.3	10/30/06
10.21	Assignment and Assumption Agreement dated October 25, 2006, by	0 11		10.0	10,00,00
10.21	and between the Company and SBS Miami Broadcast Center, Inc.	8-K		10.4	10/30/06
10.22	Loan Agreement dated January 4, 2007, by and between Wachovia	0 11		1011	10/20/00
	Bank, National Association and SBS Miami Broadcast Center.	8-K		10.1	1/10/07
10.23	Promissory Note, dated January 4, 2007, by SBS Miami Broadcast				_, _ , , ,
	Center in favor of Wachovia.	8-K		10.2	1/10/07
10.24	Mortgage, Assignment of Rents and Security Agreement dated	0 11		10.2	1, 10, 0,
	January 4, 2007, by and between Wachovia				
	and SBS Miami Broadcast Center.	8-K		10.3	1/10/07
10.25	Unconditional Guaranty dated January 4, 2007, by Spanish				
	Broadcasting System, Inc. in favor of Wachovia.	8-K		10.4	1/10/07
10.26*	Restricted Stock Grant, dated as of March 10, 2007 to				
	Raúl Alarcón, Jr.	10-K	12/31/06	10.116	3/17/08
10.27*	Stock Option Agreement dated as of October 1, 2007 between the				
	Company and Mitchell A. Yelen.	10-Q	9/30/07	10.2	11/11/07
10.28*	Amended and Restated Employment Agreement dated as of August 4,				
	2008, by and between the Company and Joseph A. García.	8-K		10.1	8/8/08
10.29*	Stock Option Agreement dated as of June 3, 2010 between the				
	Company and Manuel E. Machado.	10-Q	6/30/10	10.1	8/13/10
10.30*	Amendment to Employment Agreement dated April 19, 2011 by and				
	between the Company and Joseph A. Garcia.	10-Q	6/30/11	10.1	8/12/11
10.31*	Employment Agreement dated June 5, 2014, by and between the				
	Company and Raúl Alarcón, Jr.	8-K		10.1	6/11/14
10.32*	Stock Option Agreement dated as of February 24, 2016 between the				
	Company and Raúl Alarcón.	10-K	12/31/2016	10.32	4/19/17
10.33*	Stock Option Agreement dated as of February 24, 2016 between the				
	Company and Joseph A. García.	10-K	12/31/2016	10.33	4/19/17
10.34*	Stock Option Agreement dated as of February 24, 2016 between the				
	Company and Manuel E. Machado.	10-K	12/31/2016	10.34	4/19/17
10.35*	Stock Option Agreement dated as of February 24, 2016 between the				
	Company and Jason L. Shrinsky.	10-K	12/31/2016	10.35	4/19/17
10.36*	Stock Option Agreement dated as of February 24, 2016 between the				
	Company and José A. Villamil.	10-K	12/31/2016	10.36	4/19/17
10.37*	Stock Option Agreement dated as of February 24, 2016 between the				
	Company and Mitchell A. Yelen.	10-K	12/31/2016	10.37	4/19/17

10.38	Forbearance agreement dated May 8, 2017 among the Company, the					
	Guarantors and the Supporting Holders		10-Q	3/31/2017	10.1	5/22/17
10.39	Contract of Purchase and Sale, dated May 15, 2017, among					
	Spanish Broadcasting System, Inc. and Harbor Associates, LLC.		10-Q	6/30/2017	10.1	8/14/17
10.40	Contract of Purchase and Sale, dated September 12, 2017, between					
	Alarcón Holdings, Inc. and 26 W. 56 LLC.		10-Q	9/30/2017	10.1	11/14/17
10.41	Amendment to Contract of Purchase and Sale, dated October 31, 2017,					
	between Alarcón Holdings, Inc. and 26 W. 56 LLC		10-Q	9/30/2017	10.2	11/14/17
10.42*	Employment Agreement dated as of August 1, 2016, by and between					
	the Company and Richard D. Lara.		10-K	12/31/2017	10.42	5/23/18
10.43*	Amendment to Employment Agreement dated as of February 1, 2018,					
	by and between the Company and Richard D. Lara		10-K	12/31/2017	10.43	5/23/18
10.44*	Employment Agreement dated as of February 21, 2018, by and					
	between the Company and Albert Rodriguez.		10-K	12/31/2017	10.44	5/23/18
10.45*	Employment Agreement dated as of May 29, 2018, by and					
	between the Company and Raúl Alarcón.		8-K		10.1	6/1/18
10.46*	Employment Agreement dated as of January 28, 2019, by and between					
	the Company and José I. Molina.		10-K	12/31/2018	10.46	4/1/19
10.47	Separation agreement dated as of May 31, 2019, by and between					
	the Company and Jose Antonio Garcia		10-Q	6/30/2019	10.47	8/9/19
14.1	Code of Business Conduct and Ethics.		8-K		14.1	5/15/09
21.1	List of Subsidiaries of the Company.	X				
23.1	Consent of Crowe LLP.	X				
24.1	Power of Attorney (included on the signature page of this Annual					
	Report on Form 10-K).	X				
31.1	Chief Executive Officer's Certification pursuant to Section 302 of the					
	Sarbanes-Oxley Act of 2002.	X				
31.2	Chief Financial Officer's Certification pursuant to Section 302 of the					
	Sarbanes-Oxley Act of 2002.	X				
32.1	Chief Executive Officer's Certification pursuant to 18 U.S.C. Section					
	1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of					
	<u>2002.</u>	X				
32.2	Chief Financial Officer's Certification pursuant to 18 U.S.C. Section					
	1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of					
	<u>2002.</u>	X				
	XBRL Instance Document	X				
	XBRL Taxonomy Extension Schema Document	X				
	XBRL Taxonomy Extension Calculation Linkbase Document	X				
	XBRL Taxonomy Extension Definition Linkbase Document	X				
	XBRL Taxonomy Extension Label Linkbase Document	X				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document	X				

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

Signatures

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 30, 2020.

Spanish Broadcasting System, Inc.

By: /s/ Raúl Alarcón

Name: Raúl Alarcón

Title: Chief Executive Officer and President

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

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities indicated on March 30, 2020.

Chairman of the Board of Directors, Chief Executive /s/ Raúl Alarcón Raúl Alarcón Officer and President (principal executive officer) /s/ José I. Molina Chief Financial Officer José I. Molina (principal financial and accounting officer) /s/ Joseph A. García Joseph A. García Director /s/ Manuel E. Machado Manuel E. Machado Director /s/ Jason L. Shrinsky Jason L. Shrinsky Director /s/ José A. Villamil José A. Villamil Director /s/ Mitchell A. Yelen Mitchell A. Yelen Director

Signature