



SPANISH BROADCASTING SYSTEM, INC. MATERIAL CHANGE REPORT

March 4, 2021

Reference is made to that certain indenture (the “Indenture”), dated February 17, 2021, by and between Spanish Broadcasting System, Inc. (the “Company”) and Wilmington Trust, National Association, as trustee (the “Trustee”) governing the Company’s 9.75% senior secured notes due 2026 (the “Notes”). This material change report has been prepared and delivered to holders of Notes in accordance with Section 4.11 of the Indenture. The Company shall be deemed to have satisfied its obligation to furnish this material change report to holders of the Notes by posting of such report to the Company’s website to which holders of Notes are given access.

Item 1.01 Entry into a Material Definitive Agreement.

Indenture and the Notes

On February 17, 2021, the Company completed its previously announced private offering of \$310.0 million aggregate principal amount of its Notes. The Notes are fully and unconditionally guaranteed, jointly and severally, by certain of the wholly owned domestic subsidiaries of the Company. The Notes were issued pursuant to the Indenture. The Notes and the related guarantees were offered in the United States to qualified institutional buyers in reliance on Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and outside the United States only to non-U.S. investors pursuant to Regulation S under the Securities Act.

Interest on the Notes accrues at the rate of 9.75% per annum and is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2021. The Notes will mature on March 1, 2026, unless earlier redeemed or repurchased as described below.

The Company may redeem the Notes, in whole or in part, at any time prior to September 1, 2023 at a redemption price equal to 100% of the sum of the principal amount of the Notes, plus any interest that is accrued and unpaid thereon to, but not including, the redemption date, plus the applicable “make-whole” premium as set forth in the Indenture. In addition, at any time prior to September 1, 2023, but not more than once during each 12-month period commencing on February 17, 2021, the Company may redeem up to 10% of the aggregate principal amount of notes (inclusive of any Additional Notes (as defined in the Indenture)) issued under the Indenture during each such 12-month period upon not less than 10 nor more than 60 days’ prior notice, at a redemption price equal to 104.500% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, to, but excluding, the date of redemption. Further, at any time on or prior to September 1, 2023, the Company may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings, at a redemption price equal to 104.875% of the principal amount of the notes redeemed plus accrued and unpaid interest, if any, to, but excluding,

the date of redemption; provided that at least 60% of the aggregate principal amount of the Notes shall remain outstanding after giving effect to all such redemptions.

In addition, on and after September 1, 2023, the Company may redeem all or a part of the Notes on one or more occasions at the redemption prices set forth below, plus any interest that is accrued and unpaid thereon to, but excluding, the applicable redemption date:

<u>Year</u>	<u>Percentage</u>
2023.....	104.875%
2024	102.4375%
2025 and thereafter	100.000%

If the Company experiences certain change of control events, holders of the Notes may require the Company to repurchase all or part of their Notes at 101% of the sum of the principal amount of the Notes, plus any other interest that is accrued and unpaid to, but not including, the repurchase date.

The Notes will rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. The Notes and related guarantees will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables but excluding intercompany liabilities) of each of our non-guarantor subsidiaries. The Notes and the related guarantees will be secured on a first-priority basis (other than with respect to certain ABL Priority Collateral (as defined below) securing the New Revolving Credit Facility (as defined below)) by a security interest in certain of our and the guarantors' existing and future tangible and intangible assets, subject to certain excluded assets. The Notes will be effectively subordinated to any existing and future obligations under the New Revolving Credit Facility (as defined below) to the extent of the values of the ABL Priority Collateral of the New Revolving Credit Facility. The Notes and related guarantees will be effectively senior to all of our and our guarantors' existing and future unsecured indebtedness to the extent of the value of the collateral.

The Indenture contains covenants that, among other things, limit the ability of the Company and its restricted subsidiaries to (i) incur additional debt and issue certain preferred stock, (ii) pay certain dividends on, repurchase or make distributions in respect of their capital stock or make other restricted payments, (iii) make certain investments, (iv) sell or exchange certain assets, (v) enter into transactions with affiliates, (vi) create certain liens and (viii) consolidate, merge or transfer all or substantially all of their assets. These covenants are subject to a number of exceptions, limitations and qualifications as set forth in the Indenture.

The Indenture also contains customary events of default including, but not limited to, nonpayment, breach of covenants, and payment or acceleration defaults in certain other indebtedness of the Company or certain of its subsidiaries. Upon an event of default, the holders of not less than 25% in principal amount of the then-outstanding Notes may declare the Notes immediately due and payable, or in certain circumstances, the Notes automatically will become due and immediately payable.

New Revolving Credit Facility

On February 17, 2021, the Company entered into a new asset based loan credit facility among us, the lenders party thereto from time to time and Royal Bank of Canada, as administrative agent (the “New Revolving Credit Facility”). The Company intends to use the borrowings under the New Revolving Credit Facility to finance its working capital needs and other general corporate purposes. The New Revolving Credit Facility is currently undrawn.

At the Company’s election, the interest rate on borrowings under the New Revolving Credit Facility will bear interest at: (a) so long as the Leverage Fall Away Trigger (as defined below) shall not then be continuing, either (i) LIBOR plus a margin of 2.75% (stepping down to 2.50% upon Availability exceeding 33% and 2.25% upon Availability exceeding 66%) or (ii) the base rate plus a margin of 1.75% (stepping down to 1.50% upon Availability exceeding 33% and 1.25% upon Availability exceeding 66%) and (b) following the occurrence and during the continuation of a Leverage Fall Away Trigger, either (i) LIBOR plus a margin of 4.00% (stepping down to 3.75% upon the net leverage ratio reaching 5.0x) or (ii) the base rate plus a margin of 3.00% (stepping down to 2.75% upon the net leverage ratio reaching 5.0x). “Availability” shall be defined as the difference between (a) the lesser of the commitments and the borrowing base and (b) outstanding amounts under the New Revolving Credit Facility.

Advances under the New Revolving Credit Facility are limited to the sum of (i) 90% of eligible credit card accounts receivable *plus* (ii) 80% of all other accounts receivable, *plus* (iii) cash in controlled accounts. Eligibility criteria exclude certain accounts receivable, including the following: (a) accounts receivable 90 days past due (except 120 days past due for advertising agencies), (b) accounts receivable of account debtors 50% of whose accounts receivable are delinquent, excluding advertising agencies, (c) intercompany accounts, (d) concentration at 25%, (e) contra accounts, (f) customer deposits, (g) non-trade accounts receivable, (h) government accounts receivable (unless subject to the Assignment of Claims Act or less than 5% of the borrowing base), and (i) accounts receivable of bankrupt companies .

All obligations under the New Revolving Credit Facility are secured by (a) a first priority lien on all accounts receivable, cash, deposit accounts, and proceeds thereof held by the Company and the guarantors (the “ABL Priority Collateral”) and (b) a first lien, *pari passu* with the holders of the Notes, on all other assets held by the Company and the guarantors. Letters of credit issued under the agreement are required to be collateralized with cash in certain circumstances.

The New Revolving Credit Facility contains customary representations and warranties and events of default, affirmative and negative covenants (in each case, subject to materiality exceptions and qualifications).

The New Revolving Credit Facility also contains financial covenants tested quarterly: (i) prior to the Leverage Fall Away Trigger or after the covenants spring back, (a) a 9.0x maximum net leverage ratio (with a \$25.0 million cap on cash netting), springing with availability falling below \$7.5 million (the “Covenant Trigger”) and (b) a 1.05x minimum fixed charge coverage ratio, springing upon the Covenant Trigger, and (ii) during the Leverage Fall Away Trigger period, a 8.0x maximum net leverage ratio (with a \$25.0 million cap on cash netting), tested if the New Revolving Credit Facility is drawn at the end of the quarter. “Leverage Fall Away Trigger” shall mean that upon achieving net leverage of 5.5x, cash management, New Revolving Credit Facility draw availability, borrowing base reporting covenants and the fixed charge coverage ratio will fall away; *provided* that if leverage increases above 6.0x net leverage, such features shall spring back.

Arrangements with holders of Series B Preferred Stock

We entered into purchase and settlement agreements with holders of 94.16% of our Series B Preferred Stock (“Selling Series B Preferred Holders”) whereby we purchased from the Selling Series B Preferred Holders 85,265 shares of Series B Preferred Stock for: (i) their pro rata share of an aggregate cash purchase price of \$60 million (pro rata share calculated based upon 90,548 shares of Series B Preferred Stock) and (ii) their pro rata share of 1,939,373 shares, or 19.99%, of our Class A Common Stock (pro rata share calculated based upon 85,265 shares of Series B Preferred Stock). We have reserved the 1,939,373 shares of Class A Common Stock and will issue to each Selling Series B Preferred Stockholder their pro rata share subject to receipt of appropriate certifications and/or requisite regulatory approval. With respect to the remaining 5.84%, or 5,283 shares, of Series B Preferred Stock, on March 18, 2021, we will redeem such shares of Series B Preferred Stock at a price equal to 100% of the liquidation preference plus all accumulated and unpaid dividends per share to, but excluding, the date of redemption.

Item 1.02 Termination of a Material Agreement.

On February 17, 2021, the Company used a portion of the net proceeds from the issuance and sale of the Notes to repay in full the aggregate principal amount, and accrued and unpaid interest through but not including the payment date, of its 12.50% senior secured notes due 2017 (the “2017 Notes”). The 2017 Notes were governed by the indenture, dated February 7, 2012, by and between the Company and the Trustee (the “2012 Indenture”). As a result of the repayment described above, the Company and the guarantors have no further obligations under the 2017 Notes, the related guarantees or the 2012 Indenture.