Year End Financial Reporting Package
For the year ended December 31, 2020

Spanish Broadcasting System, Inc.

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	SBSAA	OTC Pink Market

Transfer Agent
Broadridge Corporate Solutions, Inc.
51 Mercedes Way
Edgewood, New York 11717

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Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Spanish Broadcasting System, Inc. which comprise the consolidated balance sheets as of December 31, 2020 and 2019 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spanish Broadcasting System, Inc. as of December 31, 2020 and 2019 and the results of its operations and its cash flows for the years ended December 31, 2020 and 2019, in accordance with accounting principles generally accepted in the United States of America.

Crowe LLP

Fort Lauderdale, Florida
April 26, 2021

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2020 and 2019
(In thousands, except share data)

	December 31, 2020	December 31, 2019
Assets		
Current assets:		
Cash and cash equivalents	$ 28,178	$ 20,856
Receivables:		
Trade	45,145	40,394
Barter	189	197
	45,334	40,591
Less allowance for doubtful accounts	3,411	1,122
Net receivables	41,923	39,469
Prepaid expenses and other current assets	6,529	7,475
Assets held for sale	—	12,474
Total current assets	76,630	80,274
Property and equipment, net	21,651	23,022
FCC broadcasting licenses	297,179	311,282
Goodwill	32,806	32,806
Operating lease right-of-use assets	20,509	17,978
Other assets	2,444	3,682
Total assets	$ 451,219	$ 469,044
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 19,677	$ 20,333
Accrued interest	1,784	1,513
Unearned revenue	943	991
Operating lease liabilities	824	948
Liabilities held for sale	—	1,510
Current portion of 12.5% senior secured notes (Note 9)	—	249,864
Current portion of 10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends outstanding, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares: 90,549 shares issued and outstanding at December 31, 2020 and 2019 and $104,234 and $94,500 of dividends payable as of December 31, 2020 and 2019, respectively (Note 10)	137,435	185,049
Total current liabilities	160,663	460,208
Operating lease liabilities - net of current portion	21,023	17,538
12.5% senior secured notes (Note 9)	249,864	—
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares: 90,549 shares issued and outstanding at December 31, 2020 and 2019 - net of current portion (Note 10)	57,348	—
Deferred tax liabilities	64,076	68,718
Other liabilities, less current portion	3,657	2,877
Total liabilities	556,631	549,341
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, 2020 and 2019	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, 2020 and 2019	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at December 31, 2020 and 2019	—	—
Additional paid-in capital	526,205	526,201
Accumulated deficit	(631,621)	(606,502)
Total stockholders' deficit	(105,412)	(80,297)
Total liabilities and stockholders' deficit	$ 451,219	$ 469,044

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2020 and 2019
(In thousands, except per share data)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net revenue	$ 121,939	$ 156,665
Operating expenses:		
Engineering and programming	26,463	28,881
Selling, general and administrative	52,997	64,792
Corporate expenses	8,533	11,721
Depreciation and amortization	3,261	3,602
Total operating expenses	91,254	108,996
(Gain) loss on the disposal of assets	(3,261)	365
Recapitalization costs	4,679	6,845
Executive severance expense	—	1,844
Impairment charges	14,352	—
Other operating expense (income)	1,102	(16)
Operating income	13,813	38,631
Other (expense) income:		
Interest expense	(31,587)	(31,245)
Dividends on Series B preferred stock classified as interest expense	(9,734)	(9,734)
Interest income	—	20
Loss before income tax	(27,508)	(2,328)
Income tax benefit	(2,389)	(1,400)
Net loss	$ (25,119)	$ (928)
Class A and B net loss per common share		
Basic	$ (3.42)	$ (0.13)
Diluted	(3.42)	(0.13)
Weighted average common shares outstanding:		
Basic	7,342	7,342
Diluted	7,342	7,342

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Deficit
Years Ended December 31, 2020 and 2019
(In thousands, except share data)

	Series C convertible preferred stock		Class A common stock		Class B common stock				
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
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	—	—	—	—	—	—	—	(928)	(928)
Issuance of Class A common stock	—	—	—	—	—	—	—	—	—
Balance at December 31, 2019	380,000	4	4,241,991	—	2,340,353	—	526,201	(606,502)	(80,297)
Stock-based compensation	—	—	—	—	—	—	4		4
Net loss	—	—	—	—	—	—	—	(25,119)	(25,119)
Balance at December 31, 2020	380,000	$ 4	4,241,991	$ —	2,340,353	$ —	$ 526,205	$ (631,621)	$ (105,412)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2020 and 2019
(In thousands)

	Year Ended December 31, 2020	Year Ended December 31, 2019
Cash flows from operating activities:		
Net loss	$ (25,119)	$ (928)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Dividends on Series B preferred stock classified as interest expense	9,734	9,734
(Gain) loss on the disposal of assets, net of disposal costs	(3,316)	434
Loss (gain) on insurance proceeds received for damage to equipment	55	(69)
Impairment charges	14,352	—
Stock-based compensation	4	10
Depreciation and amortization	3,261	3,602
Net barter income	(264)	(921)
Provision for trade doubtful accounts	3,039	906
Deferred income taxes	(1,655)	(3,506)
Unearned revenue-barter	709	803
Changes in operating assets and liabilities:		
Trade receivables	(5,500)	(9,058)
Prepaid expenses and other current assets	(4,681)	105
Other assets	1,598	958
Accounts payable and accrued expenses	(715)	(194)
Accrued interest	271	—
Other liabilities	628	324
Net cash (used in) provided by operating activities	(7,599)	2,200
Cash flows from investing activities:		
Purchases of property and equipment	(2,535)	(3,798)
Proceeds from the sale of property and equipment	15,004	6
Insurance proceeds received for damage to equipment	418	69
Net proceeds (payments) towards FCC repack assets	2,034	(89)
Net cash provided by (used in) investing activities	14,921	(3,812)
Cash flows from financing activities:	—	—
Net increase (decrease) in cash and cash equivalents	7,322	(1,612)
Cash and cash equivalents at beginning of year	20,856	22,468
Cash and cash equivalents at end of year	$ 28,178	$ 20,856
Supplemental cash flows information:		
Interest paid	$ 31,246	$ 31,245
Income tax paid with cash	$ 73	$ 2,354
Income tax paid with noncash assets (tax credits)	$ 1,235	$ —
Transfer of noncash production tax credits to deferred tax assets	$ 1,752	$ —

See accompanying notes to consolidated financial statements.

(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 five 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.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The responses by federal, state and local governments to restrict public gatherings and travel rapidly grew to include stay-at-home orders, school closures and mandatory restrictions on non-essential businesses and services that have adversely affected workforces, economies, and financial markets resulting in a significant economic downturn. The COVID-19 pandemic has resulted in the temporary disruptions of many of our advertisers' businesses thereby impacting our core source of revenue, which has had a material impact on our operations and financial condition. COVID-19's impact on the capital markets could also impact our ability and cost to obtain necessary financing.

While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. We are actively monitoring the COVID-19 situation and its impact in the markets we serve. We are taking reasonable precautionary measures as directed by health authorities and local, state and national governments. Due to continuing uncertainties regarding the COVID-19 pandemic, it is impossible to predict the total impact that the pandemic will have on our business. Although the Company has evidenced steady improvements during the third and fourth quarter, if public and private entities continue restrictive measures, begin to implement new restrictive measures or the pandemic does not end, as the case may be, the material adverse effect on our business, results of operations, financial condition and cash flows could continue.

The Company initiated the following strategies to reduce expenses and preserve cash, in 2020:

- limited capital expenditures;
- reduced content production;
- reduced advertising and marketing;
- reduced discretionary spending;
- reduced travel and entertainment to only essential business needs;
- furloughed certain employees;
- reduced salaries;
- deregistered securities; and
- requested discounts from vendors and/or payment plans.

To the extent the business disruption continues for an extended period, additional cost management actions will be considered to protect our long-term financial health and ensure our ability to continue serving our viewers, listeners and advertisers.

Since March 2020, most of our employees have been working from home, with only certain essential employees working on site. For employees working at our facilities, we have instituted social distancing protocols, increased the level of cleaning and sanitizing and undertaken other actions to make our facilities safer. We are generally following the requirements and protocols published by the U.S. Centers for Disease Control and the World Health Organization, and state and local governments. As of the date of this filing, we do not believe our work from home protocol has adversely impacted our internal controls, financial reporting systems or our operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees. The CARES Act allocated $349 billion to the Paycheck Protection Program (the "PPP"). An additional $310 billion was allocated to the PPP with the enactment of the Paycheck Protection Program and Healthcare Enhancement Act ("CARES 2.0") on April 21, 2020. Subsequently, on June 5, 2020, the Paycheck Protection Flexibility Act of 2020 ("Flexibility Act") was signed into law, amending the CARES Act. Based on the Company's analysis of the CARES Act, the benefits it has already taken advantage of or expects to recognize include:

- Given the uncertainty in the duration of the COVID-19 pandemic, the Company applied for and on April 15, 2020 received an unsecured PPP Loan in the amount of $6,478,800 in order to avoid near term layoffs and to support the Company's ongoing operations which is providing vital information and entertainment to its Latino communities. The Company applied for forgiveness of the PPP Loan within the required timeframe. The Company has accounted for the PPP Loan under International Accounting Standard 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20") since in substance the PPP Loan is a grant that was forgiven and the Company used the proceeds to maintain employment and compensation levels and pay benefits.

  On October 8, 2020, our lender approved the Company's application for the forgiveness of its PPP Loan and submitted our forgiveness application to the SBA. On April 6, 2021, the SBA informed the Company that the PPP Loan and the accumulated and unpaid interest had been forgiven in its entirety.

  The Company incurred eligible technical and programming, selling and administrative, and corporate payroll related expenses in excess of $6.5 million for the year ended December 31, 2020. In accordance with IAS 20 and because there was reasonable assurance the forgiveness conditions would be met, the Company recorded the $6.5 million earnings impact on a systematic basis over the period in which the Company recognized as expenses the related costs for which the PPP Loan was intended to compensate. The Company recognized $6.5 million as a reduction of payroll expenses in 2020 within operating income on its consolidated statements of operations. The PPP proceeds of $5.1 million, $0.8 million and $0.6 million were included as offsets to radio, television and corporate expenses, respectively. Additionally, in 2020, the Company recognized the $6.5 million cash impact of the PPP loan within cash flows from operations on its consolidated statement of cash flows as the nature of the expenses for which the loan was used are operational in nature.

- Relaxation of interest expense deduction limitation for income tax purposes. The limitation on interest increases from 30% to 50% for 2019 and 2020. This resulted in an expected benefit relating to 2019 in the amount of $2.4 million. The Company has deducted additional interest in 2020 in accordance with this legislation.

The Company continues to review and consider any available potential benefit under governmental programs for which it may qualify.

Subsequent to year end, the Company applied for the Second Draw of PPP Loan in the amount of $2,000,000, which if granted, will be utilized to pay for and maintain employment and compensation levels as required by the CARES Act for the loan to be forgiven. These funds will help support the Company's ongoing operations and avoid layoffs in the near term.

(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 date the financial statements are available to be issued.

The accompanying consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2020, we had a working capital deficit due primarily to the classification of a portion of our 10¾% Series B Cumulative Exchangeable Redeemable Preferred Stock (the "Series B preferred stock") as a current liability, even though under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Susequent to year-end, the Company, entered into a Series B Settlement Agreement and Series B Purchase Agreement (collectively, the "Series B Preferred Stock Transaction") to repurchase a portion of the shares of Series B preferred stock from a group of holders of 94.16% of our Series B preferred stock (the "Selling Series B Holders") in which the parties also agreed to a settlement of the litigation that has been ongoing since November 2017 (the "Preferred Holder Complaint") and separtately redeemed all remaining shares of outstanding Series B preferred stock. See Note 10 and 15, elsewhere in these notes to the consolidated financial statements for additional detail regarding the Series B Preferred Stock Transaction and the Preferred Holder Complaint.

As discussed in Note 9, the 12.5% Senior Secured Notes due 2017 (the "Notes") became due on April 15, 2017. Subsequent to year end, the Company successfully completed an offering of $310 million of 9.750% Senior Secured Notes due 2026 (the "2026 Notes") which was used to repay the outstanding principal amount of the Notes and repurchase and redeem the outstanding shares of the Series B preferred stock. Concurrently with the completion of the 2026 Notes offering, we enter into a new senior secured asset-based revolving credit facility (the "New Revolving Credit Facilty"), providing for borrowings of up to $15.0 million subject to compliance with a "borrowing base." We intend to use borrowings under the New Revolving Credit Facility, if necessary, to finance working capital needs and other general corporate purposes. The New Revolving Credit Facility does not currently have a balance outstanding.

The Company has incurred $4.7 million and $6.8 million, respectively, for the years ended December 31, 2020 and 2019, 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 continuation as a going concern is dependent upon its ability to generate sufficient cash flow to meet its obligations on a timely basis and to comply with the terms of its financing agreements.

(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, 2020 and 2019, we incurred bad debt expense of $3.0 and $0.9 million, respectively. The year over year increase was primarily due to continuing uncertainties caused by the COVID-19 pandemic. 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 Federal Communications Commission (the "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 4.2 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, 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. We also consider additional market valuation approaches in assessing whether any impairment may exist at reporting units.

During the first quarter 2020, we performed an interim impairment test of our FCC broadcasting radio and television FCC broadcasting licenses. As a result of the interim impairment test, we determined there was an impairment to our radio FCC broadcasting licenses, primarily due to the discount rate increase and lower industry advertising revenue growth projections in the subject markets. We recorded a non-cash impairment loss of approximately $14.1 million that reduced the carrying value of such FCC broadcasting licenses, see Note 16 for additional details regarding the FCC license impairment .

During the fourth quarter of 2020, the Company performed its annual impairment test and concluded that there were no further impairments of our FCC broadcasting licenses for the year ended December 31, 2020. 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 the quarter ended March 31, 2020, the Company assessed qualitative factors and identified a triggering event for impairment due to the impact of the COVID-19 pandemic on the economy. We performed an interim review of our goodwill and determined there was no impairment of goodwill. The Company also elected to bypass the qualitative assessments and perform quantitative assessments of its goodwill during the second, third and fourth quarters of 2020 and determined that there was no impairment of goodwill.

Based on our testing and evaluation it was determined that there was no impairment of goodwill for the years-ended December 31, 2020 and 2019.

(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).

The Company generates tax credits from the production of programming content that can be used to reduce imposed income tax or other tax liabilities. These tax credits can be claimed in the tax year in which the activities covered by the tax credit commenced. The tax credits are non-refundable but are transferable to third parties if not used by the Company. It is the Company’s policy to routinely review the timing of the estimated realization of recorded tax credits and how these tax credits should be utilized. Although these tax credits had previously been sold to third parties, Management has currently elected to use these tax credits to offset its income tax liability.As of December 31, 2020, the Company has recorded the remaining $0.4 million of tax credits as an offset to deferred tax liability on its balance sheet. Changes in tax legislation may lead the Company to elect to use these tax credits differently in the future.

(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 $1.1 million and $1.3 million in the years ended December 31, 2020 and 2019, 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, and goodwill, the recoverability of right-of-use assets, the fair value of Level 2 and Level 3 financial instruments which include the Series B preferred stock, 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.

The COVID-19 pandemic continues to create significant uncertainty and disruption in the global economy and financial markets. It is reasonably possible that these uncertainties could materially impact our estimates related to, but not limited to, allowance for doubtful accounts, FCC broadcast licenses, goodwill and income taxes. As a result, many of our estimates and assumptions require increased judgment and carry a higher degree of variability and volatility. Our estimates may change as new events occur and additional information emerges, and such changes are recognized or disclosed in our consolidated financial statements.

(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 70% of net revenue for the years ended December 31, 2020 and 2019. 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 Per Common Share

Basic net loss per common share was computed by dividing net loss available to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented. Diluted net loss per common share is computed by giving effect to common stock equivalents as if they were outstanding for the entire period. The following table summarizes the net loss applicable to common stockholders and the net loss per common share for the years ended December 31, 2020 and 2019 (in thousands, except per share data):

	Twelve Months Ended December 31,					
	2020			2019		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic net loss per share:						
Numerator						
Allocation of undistributed earnings	$ (14,512)	$ (8,007)	$ (2,600)	$ (536)	$ (296)	$ (96)
Denominator						
Number of shares used in per share computation (as converted)	4,242	2,340	760	4,242	2,340	760
Basic net loss per share	($3.42)	($3.42)	($3.42)	($0.13)	($0.13)	($0.13)
Diluted net loss per share:						
Numerator						
Allocation of undistributed earnings	$ (14,512)	$ (8,007)	$ (2,600)	$ (536)	$ (296)	$ (96)
Denominator						
Number of shares used in basic computation	4,242	2,340	760	4,242	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	4,242	2,340	760
Diluted net loss per share	($3.42)	($3.42)	($3.42)	($0.13)	($0.13)	($0.13)
Common stock equivalents excluded from calculation of diluted net loss per share as the effect would have been anti-dilutive:	381	—	—	435	—	—

(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 17). 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, 2020 and 2019 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 excrcise 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 18).

(3) Revenue

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 2020 and 2019 (in thousands):

	Year Ended December 31, 2020	Year Ended December 31, 2019
Local, national, digital and network	$ 124,461	$ 153,856
Special events	6,446	9,746
Barter	5,695	8,019
Other	3,396	7,264
Gross revenue	139,998	178,885
Less: Agency commissions and other	18,059	22,220
Net revenue	$ 121,939	$ 156,665

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 co-producing 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, 2020 and 2019, barter revenue of $5.7 million and $8.0 million was offset by barter expense of $5.4 million and $7.6 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 and various other non-broadcast related revenues.

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, 2020 and 2019, there were $0.3 million and $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, 2020 and 2019, there were $0.3 million and $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, 2020 and 2019, there were $0.3 million and $0.5 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, 2020 and 2019, that were included in unearned revenue balances at the beginning of each period were not significant. At December 31, 2020 there was $1.3 million of variable consideration in the form of agency based volume discounts accrued as contract liabilities within accrued expenses as compared to $2.0 million at December 31, 2019. Variable consideration in the form of agency based volume discounts of $1.3 million and $2.0 million were recognized and recorded as contract liabilities within accrued expenses during the years ended December 31, 2020 and 2019, 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 2021 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 $0.7 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 years ended December 31, 2020 and 2019 (in thousands):

	Year Ended December 31,	
	2020	**2019**
Operating lease cost	$ 4,018	$ 4,202
Sublease income	(343)	(1,872)
Total lease cost	$ 3,675	$ 2,330

At December 31, 2020 and 2019, amounts reported in the Consolidated Balance Sheet are as follows (in thousands):

	Year Ended December 31,	
	2020	**2019**
Operating Leases:		
Operating lease right-of-use assets	$ 20,509	$ 17,978
Operating lease liabilities	824	948
Operating lease liabilities - net of current portion	21,023	17,538
Total operating lease liabilities	$ 21,847	$ 18,486
Other information		
Operating cash flows from operating leases	$ 2,632	$ 1,775
Right-of-use assets obtained in exchange for new lease liabilities	$ 4,213	$ 7,701
Weighted-average remaining lease term	14.7 years	13.8 years
Weighted average discount rate	12.6%	12.7%

Future minimum lease payments under operating leases as of December 31, 2020 are as follows (in thousands):

Year ending December 31:		
2021	$ 3,495	$ 3,202
2022	3,479	2,976
2023	3,305	2,922
2024	3,471	2,791
2025	3,572	2,851
Thereafter	38,649	28,694
Total undiscounted lease payments	$ 55,971	$ 43,436
Less: imputed interest	34,124	24,950
Total lease liabilities	$ 21,847	$ 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, 2020 is as follows:

Year ending December 31:	
2021	$ 156
2022	142
2023	116
Total undiscounted lease payments	$ 414

(5) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2020 and 2019 consist of the following (in thousands):

	2020	2019
Production tax credits	$ 4,970	$ 2,938
FCC repack assets [(a)]	25	1,430
Prepaid expenses	1,278	2,511
Other current assets	256	596
	$ 6,529	$ 7,475

(a) Pursuant to the FCC's Television Broadcast Incentive Auction, repack assets are reimbursable by the FCC, of which $1.2 million of the 2019 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 had been reclassified to assets and liabilities held for sale, at December 31, 2019, 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 various assets related to our Houston, KTBU television operations for $15 million, exclusive of closing costs, and subsequently closed on the sale on March 23, 2020. The Company recognized a gain on the sale of the KTBU assets of $3.2 million.

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.

There were no assets or liabilities held for sale as of December 31, 2020. 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

(7) Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2020 and 2019 (in thousands):

	2020	2019	Estimated useful lives
Land	$ 6,456	$ 6,456	—
Building and building improvements	22,534	22,569	7–20 years
Tower and antenna systems	5,454	5,402	10 years
Studio and technical equipment	21,791	21,177	5–10 years
Furniture and fixtures	3,365	3,331	5–10 years
Transmitter equipment	8,435	8,609	10 years
Leasehold improvements	3,097	3,413	1–20 years
Computer equipment and software	10,679	9,650	3–5 years
Other	2,419	2,419	3–5 years
	84,230	83,026	
Less accumulated depreciation	(62,579)	(60,004)	
	$ 21,651	$ 23,022	

During the years ended December 31, 2020 and 2019, depreciation of property and equipment totaled $3.3 million and $3.6 million, respectively.

(8) Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2020 and 2019 consist of the following (in thousands):

	2020	2019
Accounts payable – trade	$ 1,851	$ 2,050
Accrued compensation and commissions	6,570	8,463
Accrued professional fees	2,149	1,559
Accrued music license fees	852	1,395
Accrued programming	234	207
Accrued property and real estate taxes	658	569
Accrued franchise, rent and sales tax	813	1,590
Other accrued expenses	6,550	4,500
	19,677	20,333

(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. The Notes matured on April 17, 2017 (being the payment date following the Saturday, April 15, 2017 maturity date), but at that time we were unable to repay the Notes because we did not have sufficient cash on hand and did not generate sufficient cash from operations or asset sales, nor were we able to access the capital markets to refinance the Notes.

The Notes accrued interest at a rate of 12.5% per year. Since April 17, 2017, we have been paying interest monthly. Interest on the Notes was $31.2 million for the years ended December 31, 2020 and 2019.

The Company fully repaid the outstanding Notes balance on February 17, 2021, when it completed its offering of $310 million, in aggregate principal amount of 9.750% Senior Securred Notes due 2026 (the “2026 Notes”). The 2026 Notes will mature on March 1, 2026. In accordance with ASC 470, the outstanding balance of the Notes has been reclassified as non-current since the short term obligation has been refinanced on a long term basis, as of December 31, 2020. See Note 21 elsewhere in these notes to the consolidated financial statements for additional details regarding the 2026 Notes.

(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 April 5, 2004, we exchanged 76,702 shares of 10 3/4% Series B cumulative exchangeable redeemable preferred stock, par value $0.01 per share and liquidation preference of $1,000 per share (the “Series B preferred stock”), for any and all shares of our outstanding shares of Series A preferred stock. 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 on those shares to the date of repurchase. Under the terms of our Series B preferred stock, we were 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”).

On February 5, 2021, the Company entered into the Series B Settlement Agreement and Series B Purchase Agreement with holders owning 85,265 shares of our Series B preferred stock (collectively, the "Series B Preferred Stock Transaction Agreement"). Pursuant to the Series B Settlement Agreement, we, together with the Selling Series B Preferred Holders, agreed to fully resolve and settle any and all claims and causes of action arising out of, or related to, the Preferred Holder Complaint or the Series B preferred stock. We entered into the Series B Purchase Agreement with the Selling Series B Preferred Holders and agreed to acquire all of the Series B preferred stock held by such parties for their pro rata share of the following: (i) an aggregate cash purchase price of $60 million and (ii) 1,939,365 (adjusted for fractional shares) shares of our Class A Common Stock, all of which is subject to the terms and conditions of the Series B Purchase Agreement. We redeemed the remaining 5,283 shares, or 5.84%, of the Series B preferred stock that were not to be acquired pursuant to the Series B Purchase Agreement by redeeming such Series B preferred stock in accordance with the terms of the Certificate of Designations. See Note 21 elsewhere in these notes to the consolidated financial statements for additional details regarding the Series B Preferred Stock Transaction.

Accounting Treatment of the Preferred Stock

The Series B preferred stock is measured at subsequent reporting dates at the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the 10 ¾% accruing quarterly dividends are recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense") as required by ASC 480. During the years 2020 and 2019, we recorded $9.7 million as dividends on Series B preferred stock classified as interest expense.

At December 31, 2020, a portion of outstanding Series B preferred stock balance has been reclassified as a non-current liability based on the subsequent settlement. In order to determine the amount of Series B preferred stock that would be reclassified to non-current, the Company calculated the net proceeds received from the 2026 Notes plus the fair value of the Class A common shares provided to the Selling Series B Preferred Holders under the Series B Preferred Stock Transaction Agreements. The fair value of the Class A common stock was based on the closing price of the Class A common stock on February 11, 2021, the date the 2026 Notes were priced. From this total, the Company then deducted the payment made under the Notes to arrive at the residual amount to be allocated to the Series B preferred stock. The calculation resulted in the Company reclassifying $57.3 million from current to non-current liabilities. The Company expects to recognize a gain on the derecogniton of the Series B preferred stock in the first quarter of 2021.

(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, our Chairman of the Board and Chief Executive Officer, 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.

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 2016 options vested 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. In January 2019, the Company also issued options to purchase 75,000 shares of the Company's Class A Common Stock to another individual as an inducement to his taking a position with the Company. The 2019 options vest over a three-year period and have a ten-year term commencing on their vesting dates. These grants were outside of the Company's 2006 Omnibus Plan and options were issued under non-qualified employee inducement awards.

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, 2020 and 2019 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, 2020 and 2019, share-based compensation totaled $4 thousand and $10 thousand, respectively.

As of December 31, 2020, 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, 2020 and 2019, no stock options were exercised; therefore, no cash payments were received. In addition, during the years ended December 31, 2020 and 2019 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. There were no stock options granted to employees during 2020 and 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 2019:

	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, 2020 and 2019, and changes during the years ended December 31, 2020 and 2019, 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, 2018	370	$ 3.49		
Granted	75	0.22		
Exercised	—	—		
Forfeited	(10)	7.30		
Outstanding at December 31, 2019	435	$ 2.84		
Granted	—			
Exercised	—			
Forfeited	(15)			
Outstanding at December 31, 2020	420	$ 2.54	$ 1,575	6.0
Exercisable at December 31, 2020	395	$ 2.69	$ 1,050	5.7

The following table summarizes information about our stock options outstanding and exercisable at December 31, 2020 (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	50	25	$ 0.22	9.6	50	$ 0.22
1.00 - 1.99	10	—	1.03	0.8	10	1.03
2.00 - 2.99	75	—	2.99	7.0	75	2.99
3.00 - 4.99	260	—	3.14	4.9	260	3.14
	395	25	$ 2.54	6.0	395	$ 2.69

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, 2020 and 2019, there were no nonvested shares outstanding.

(12) Commitments

(a) Employment and Service Agreements

At December 31, 2020, we are committed to employment and service contracts for certain executives, on-air talent, general managers, and others expiring through 2025. Future payments under such contracts are as follows (in thousands):

Year ending December 31:		
2021	$	9,729
2022		6,463
2023		2,016
2024		467
2025		241
Thereafter		—
	$	18,916

(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, 2020, we have commitments to vendors that provide us with goods or services. These commitments included services for rating services, programming contracts, software contracts and others. Future payments under such commitments are as follows (in thousands):

Year ending December 31:		
2021	$	10,631
2022		6,395
2023		5,785
2024		5,926
2025		6,100
Thereafter		12,801
	$	47,638

(13) Income Taxes

Total income tax benefit, from continuing operations, for the years ended December 31, 2020 and 2019 were as follows (in thousands):

		2020		2019
Income tax benefit	$	(2,389)	$	(1,400)

For the years ended December 31, 2020 and 2019, loss before income tax (benefit) expense consists of the following (in thousands):

		2020		2019
U.S. operations	$	(28,169)	$	(7,222)
Foreign operations		661		4,894
	$	(27,508)	$	(2,328)

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, 2020 and 2019 (in thousands):

	2020	2019
Current:		
Federal	$ 72	$ 73
State and local, net of federal income tax benefit	249	81
Foreign	(1,055)	1,952
	(734)	2,106
Deferred:		
Federal	(2,517)	(1,785)
State and local, net of federal income tax benefit	(1,710)	(1,721)
Foreign	2,572	—
	(1,655)	(3,506)
Total income benefit from continuing operations	$ (2,389)	$ (1,400)

For the year ended December 31, 2020 and 2019, approximately $3.1 million and $3.3 million, respectively, of Puerto Rico NOL carry-forwards were utilized. For the year ended December 31, 2020 and 2019, $10.8 million and $24.3 million, respectively, federal NOL carry-forwards were utilized. Additionally, for the year ended December 31, 2020 , the company utilized Puerto Rico film tax credits of approximately $1.3 million to offset 2019 current taxes payable and $1.2 million to offset 2020 current taxes payable.

The tax effect of temporary differences and carry-forwards that give rise to deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019 are as follows (in thousands):

	2020	2019
Deferred tax assets:		
Federal and state NOL carry-forwards	$ 28,069	$ 28,210
Foreign NOL carry-forwards	5,622	6,721
FCC licenses	6,812	6,543
Allowance for doubtful accounts	2,046	804
Unearned revenue	311	316
AMT credit	1,479	1,228
Interest disallowance	10,133	11,571
Property and equipment	2,163	2,116
Accrued foreign withholding	2,873	2,693
Production costs	5,794	6,046
Stock-based compensation	118	118
Intercompany expenses	9,288	8,127
Accrued Vacation/Bonus/Payroll	747	825
Right of use liability	6,466	5,917
Puerto Rico filn credits	415	—
Other	1,862	1,673
Total gross deferred tax assets	84,198	82,908
Less valuation allowance	(59,613)	(57,538)
Net deferred tax assets	24,585	25,370
Deferred tax liabilities:		
FCC licenses and goodwill	82,587	88,291
Right of use asset	6,074	5,797
Total gross deferred tax liabilities	88,661	94,088
Net deferred tax liability	$ 64,076	$ 68,718

The net change in the total valuation allowance for the years ended December 31, 2020 and 2019 was an increase of $2.1 million and an increase of $6.9 million, respectively. The valuation allowance at 2020 and 2019 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 2020, the overall increase in the valuation allowance was a result of the return to provision adjustments to pre-reform NOLs due to the passing of the CARES ACT.

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, 2020, the valuation allowance is comprised of $35.2 million in the US and $24.4 million in Puerto Rico. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made.

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, 2020, we have federal and state NOL carry-forwards available of approximately $92.8 million and $92.1 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. As a result of the restructuring discussed, an ownership change is expected to have occurred. Therefore, Federal and State NOL's may be limited under IRC section 382. The company is still evaluating the overall impact to their financial statements. In addition, at December 31, 2020, we have foreign NOL carry-forwards of approximately $23.0 million available to offset future taxable income expiring from the years 2020 through 2024.

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, 2020 and 2019, as a result of the following:

	2020	**2019**
Computed "expected" tax (benefit) expense	21.0 %	21.0 %
State and local income taxes, net of federal benefit	5.0	23.7
Foreign tax differential	(0.5)	(18.2)
Prior year adjustment	—	2.8
Current year change in valuation allowance	2.6	221.4
Nondeductible expenses	—	(1.3)
Florida valuation allowance release	—	24.7
Nondeductible interest expense	(7.4)	(87.8)
US GILTI tax inclusion	—	(34.1)
Non-deductible recapitalization costs	(3.6)	(61.7)
U.S. 162(m) limitation	(0.9)	(22.0)
Meals and entertainment disallowance	(0.2)	(3.7)
Puerto Rico management fee	(0.1)	(2.2)
Puerto Rico tax credits sold	—	4.4
Parking disallowance	(0.1)	(1.2)
Foreign-derived intangible income deduction	0.2	1.9
Change in effective rate	2.4	19.9
Return to provision	(8.7)	(12.4)
Puerto Rico withholding taxes	(0.7)	(7.7)
Puerto Rico alternative minimum tax	(0.4)	(3.8)
Other	0.1	(3.5)
	8.7 %	60.2 %

In 2019, the CARES ACT had not yet been enacted. This enactment impacted the company's NOL, 163(j) and valuation allowance. The company also impaired intangible assets in 2020, which significantly reduced pre-tax book income. The impairment is non-deductible for tax purposes, therefore resulting in an unfavorable adjustment.

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 2017 through 2019. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2013 through 2019.

For the years ended December 31, 2020 and 2019, 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, 2017 through December 31, 2019, which are the tax years that remain subject to examination by the tax jurisdictions as of December 31, 2020. 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 disagreed with the assessment and related calculations and pursued a settlement strategy with the taxing jurisdiction with the hope of avoiding a lengthy litigation process. As of December 31, 2020, an accrual of $775,302, based upon our current best estimate of probable loss, had been charged to operations since the second quarter of 2016 because we were uncertain as to whether the jurisdiction would accept our offer. The Company settled the Assessment for $576,252 with the taxing jurisdiction subsequent to year-end.

(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

Previously 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 "Preferred Holder Complaint"). As part of the Series B Settlement Agreement, we, together with the Selling Series B Preferred Holders, agreed to cause each of our respective attorneys to file a stipulation of dismissal with the Delaware Court of Chancery and dismiss with prejudice the Preferred Holder Complaint.

Given the information disclosed to the Company in the Preferred Holder Complaint regarding the purported ownership of a majority of the Series B preferred stock by foreign entities, the Company may need to petition the FCC for a ruling allowing more than 25% of its common shares to be owned and/or voted by such non-U.S. entities prior to issuing new Class A common shares to these shareholders. The Company has not yet concluded on the actual total foreign ownership and will not issue shares to foreign entities unless it has determined that such issuance of Class A common shares will comply with the regulations of the FCC or approval to exceed the statutory benchmark of the foreign ownership stake has been granted by the FCC.

(16) Impairment of FCC Broadcasting Licenses and Testing of Goodwill

The Company generally performs its annual impairment test of its indefinite-lived intangibles during the fourth quarter of the fiscal year. However, given the outbreak of the COVID-19 pandemic and the declining performance for total market revenues in the Company's radio and television markets, the Company determined that a triggering event had occurred and performed an interim impairment test as of March 31, 2020 of its radio and television FCC broadcasting licenses.

The Company performs valuations using 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. This valuation method is based on the premise that the only asset that an unbuilt start-up station possesses is the FCC broadcasting license. Such method isolates the income attributable to an 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 ten year period is deemed an appropriate time period for the analysis. The yearly cash flow streams were adjusted to present value using an after-tax discount rate calculated for the radio and television broadcast industries as of March 31, 2020. 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 methodology used by the Company in determining its key estimates and assumptions, as of March 31, 2020, was applied consistently to the subject markets. Below are some of the key assumptions used in the Company's impairment assessment using significant unobservable inputs (Level 3 non-recurring fair value measure).

	Radio FCC Licenses March 31, 2020	Television FCC Licenses March 31, 2020
Discount Rate	10.5%	11.0%
Long-term Revenue Growth Rate	0.1% - 0.8%	1.0%
Mature Market Share	3.0% - 18.0%	2.0% - 2.9%
Mature Operating Profit Margin	28.0% - 33.6%	24.0%

As a result of the first quarter interim impairment test, the Company determined that there was an impairment to various of its radio FCC broadcasting licenses, primarily due to the discount rate increase and lower industry advertising revenue growth projections in the subject markets due to COVID-19. The Company recorded a non-cash impairment loss of approximately $14.1 million that reduced the carrying value of such FCC broadcasting licenses as of March 31, 2020. During the fourth quarter of 2020, the Company performed its annual impairment test and concluded that there were no further impairments.

Changes in the carrying amount of FCC licenses for the years ended December 31, 2020 and 2019 are as follows:

Balance as of December 31, 2018	$ 321,714
Reclassified to assets held for sale	(10,432)
Balance as of December 31, 2019	311,282
Impairment losses	(14,103)
Balance as of December 31, 2020	297,179

(17) 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 outstanding Notes and the Series B cumulative exchangeable redeemable preferred stock and its dividends outstanding were based on settlement amounts of transactions entered into subsequent to December 31, 2020 . On February 17, 2021, the Company used a portion of the net proceeds of the $310 million 2026 Notes to repay the $249.9 million Notes outstanding in full. The Company also agreed to purchase and or redeem the outstanding Series B preferred stock for approximately $68.0 million of cash comprised of the remaining net proceeds of the $310 million 2026 Notes and cash on hand along with 1,939,365 (adjusted for fractional shares) shares of our Class A common stock, that had a fair value of approximately $7.7 million based on the closing price of the Class A common stock on February 11, 2021, the date the 2026 Notes were priced. The Company believes that the settlement amounts of both the Notes and the Series B preferred stock approximate the fair value at December 31, 2020.

(b) Fair Value of FCC Broadcasting Licenses

As discussed in Note 12, our valuations of our indefinite-lived intangibles principally use the discounted cash flow methodology which includes significant unobservable inputs and assumptions by management resulting in certain assets being recorded on a non-reoccurring Level 3 fair value measure. During the quarter ended March 31, 2020, several of our radio FCC broadcasting licenses with a carrying amount of $295.1 million were written down to their implied fair value of $281.0 million, resulting in an impairment charge of $14.1 million, which was included in earnings for the period. There was no impairment to the television FCC broadcasting licenses with a carrying value of approximately $16.2 million that make up the remaining FCC broadcasting licenses balance, as presented in the accompanying consolidated balance sheet.

(18) 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,	
	2020	2019
Net revenue:		
Radio	$ 104,255	$ 140,385
Television	17,684	16,280
Consolidated	$ 121,939	$ 156,665
Engineering and programming expenses:		
Radio	$ 19,511	$ 22,283
Television	6,952	6,598
Consolidated	$ 26,463	$ 28,881
Selling, general and administrative expenses:		
Radio	$ 47,086	$ 58,351
Television	5,911	6,441
Consolidated	$ 52,997	$ 64,792
Corporate expenses:	$ 8,533	$ 11,721
Depreciation and amortization:		
Radio	$ 1,628	$ 1,623
Television	1,385	1,768
Corporate	248	211
Consolidated	$ 3,261	$ 3,602
(Gain) loss on the disposal of assets, net:		
Radio	$ 68	$ (62)
Television	(3,329)	427
Corporate	—	—
Consolidated	$ (3,261)	$ 365
Recapitalization costs:		
Radio	$ —	$ —
Television	—	—
Corporate	4,679	6,845
Consolidated	$ 4,679	$ 6,845
Executive severance expenses:		
Radio	$ —	$ —
Television	—	—
Corporate	—	1,844
Consolidated	$ —	$ 1,844
Impairment charges:		
Radio	$ 14,352	$ —
Television	—	—
Corporate	—	—
Consolidated	$ 14,352	$ —
Other operating expense (income):		
Radio	$ 1,139	$ (16)
Television	(37)	—
Corporate	—	—
Consolidated	$ 1,102	$ (16)
Operating income (loss):		
Radio	$ 20,471	$ 58,206
Television	6,802	1,046
Corporate	(13,460)	(20,621)
Consolidated	$ 13,813	$ 38,631

	Year Ended December 31, 2020	Year Ended December 31, 2019
Capital expenditures:		
Radio	$ 1,514	$ 2,003
Television	560	1,337
Corporate	461	458
Consolidated	$ 2,535	$ 3,798

	December 31, 2020	December 31, 2019
Total Assets:		
Radio	$ 406,320	$ 407,633
Television	41,283	58,465
Corporate	3,616	2,946
Consolidated	$ 451,219	$ 469,044

(19) *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 elected COBRA continuation coverage (subject to eligibility and timely election) for which the Company paid 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 were approximately $0.4 million that remained accrued related to the executive severance expense. There were no remaining payable or accrued amounts related to the executive severance expense as of December 31, 2020.

(20) Related Party Transaction

(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 during the year ended December 31, 2019. There was no forgiveness recorded during the year ended December 31, 2020.

(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 2020 and 2019 was $0.3 million.

(21) Subsequent Events

New $310 million Senior Secured Notes Due 2026 and New Revolving Credit Facility

On February 17, 2021, the Company completed its previously announced private offering of $310.0 million aggregate principal amount of its 2026 Notes. Interest on the 2026 Notes accrues at the rate of 9.750% per annum and is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2021. The 2026 Notes will mature on March 1, 2026, unless earlier redeemed or repurchased. We may redeem the 2026 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 2026 Notes, plus any other interest that is accrued and unpaid thereon to, but not including, the redemption date, plus the applicable "make-whole" premium. We may redeem the 2026 Notes, in whole or in part, at any time on or after September 1, 2023 at a redemption price equal to 100% of the sum of the principal amount of the 2026 Notes, plus any other interest that is accrued and unpaid thereon to, but not including, the redemption date, plus a premium declining over time. 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, we may redeem up to 10% of the aggregate principal amount of the 2026 Notes 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 2026 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, we may redeem up to 40% of the aggregate principal amount of the 2026 Notes with the proceeds of certain equity offerings. In addition, we may redeem the 2026 Notes with the proceeds of certain asset sales. If we experience certain change of control events, noteholders may require us to repurchase all or part of their 2026 Notes at 101% of the sum of the principal amount of the 2026 Notes, plus any other interest that is accrued and unpaid to, but not including, the repurchase date.

We used the net proceeds of this offering along with cash on hand to (i) repay the outstanding principal amount of the Notes, (ii) repurchase 85,265 shares of our Series B preferred stock pursuant to certain agreements entered into with holders of 94.16% of our Series B preferred stock, (iii) redeem the remaining outstanding 5,283 shares, or 5.84% of our Series B preferred stock and (iv) pay related fees and expenses.

The 2026 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 2026 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 2026 Notes and the related guarantees will be secured on a first-priority basis (other than with respect to certain ABL Priority Collateral securing the New Revolving Credit Facility) by a security interest in certain of our and the guarantors' existing and future tangible and intangible assets, subject to certain excluded assets. The 2026 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 (vii) 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 does not contain any financial covenants.

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 2026 Notes may declare the 2026 Notes immediately due and payable, or in certain circumstances, the 2026 Notes automatically will become due and immediately payable.

Concurrently with the completion of the Notes offering, we enter into a new senior secured asset-based revolving credit facility, providing for borrowings of up to $15.0 million subject to compliance with a "borrowing base." We intend to use borrowings under the New Revolving Credit Facility, if necessary, to finance working capital needs and other general corporate purposes. The New Revolving Credit Facility does not currently have a balance outstanding.

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).

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 2026 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.

Series B Preferred Stock Purchase and Settlement Agreement

We entered into purchase and settlement agreement 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 1,939,365 (adjusted for fractional shares) 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 1,939,365 (adjusted for fractional shares) 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 redeemed 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.

Related Party Transactions

On April 9, 2021, we entered into a local marketing agreement ("LMA") with South Broadcasting System, Inc. ("South Broadcasting"), a company wholly-owned by our Chairman and CEO, Raúl Alarcón. Pursuant to the LMA, South Broadcasting agrees to rebroadcast certain agreed upon programming provided by the Company on FM translator W292GE serving Miami, Florida ("the LMA Station"). We paid an initial fee of $0.3 million and are required to pay the operating costs of the LMA Station and in exchange, we retain all revenues from the sale of the commercial advertising time inventory. The LMA commences on April 10, 2021 through April 9, 2022 and renews for subsequent one-year terms unless earlier terminated by the parties.

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 operate AIRE Radio Networks, which covers 95% of the coveted U.S. Hispanic market and reaches over 15 million listeners in an average week. 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 has over 290 affiliate radio stations serving 80 of the top 100 U.S. Hispanic markets, including 47 of the top 50 U.S. Hispanic markets. For the years ended 2020 and 2019, our radio revenue was generated primarily from the sale of local, national, network and digital advertising, and our radio segment generated 85% and 90% our consolidated net revenue, respectively.

Our television stations and related affiliates operate under the "MegaTV" brand. During 2020, we broadcasted via our owned and operated television stations in South Florida and Puerto Rico and through programming and/or distribution agreements, including nationally on a subscriber basis, which allow us to serve markets representing over 6.9 million households, including over 3.0 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 95 hours of original programming per week. For the years ended 2020 and 2019, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 15% and 10% of our consolidated net revenues, respectively.

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

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the outbreak of COVID-19 a global pandemic. The responses by federal, state and local governments to restrict public gatherings and travel rapidly grew to include stay-at-home orders, school closures and mandatory restrictions on non-essential businesses and services that have adversely affected workforces, economies, and financial markets resulting in a significant economic downturn. The COVID-19 pandemic has resulted in the temporary disruptions of many of our advertisers' businesses thereby impacting our core source of revenue, which has had a material impact on our operations and financial condition. COVID-19's impact on the capital markets could also impact our ability and cost to obtain necessary financing.

While this disruption is currently expected to be temporary, there is considerable uncertainty around the duration. We are actively monitoring the COVID-19 situation and its impact in the markets we serve. We are taking reasonable precautionary measures as directed by health authorities and local, state and national governments. Due to continuing uncertainties regarding the COVID-19 pandemic, it is impossible to predict the total impact that the pandemic will have on our business. Although the Company has evidenced steady improvements during the third and fourth quarter, if public and private entities continue restrictive measures, begin to implement new restrictive measures or the pandemic does not end, as the case may be, the material adverse effect on our business, results of operations, financial condition and cash flows could continue.

The Company initiated the following strategies to reduce expenses and preserve cash, in 2020:

- limited capital expenditures;
- reduced content production;
- reduced advertising and marketing;
- reduced discretionary spending;
- reduced travel and entertainment to only essential business needs;
- furloughed certain employees;
- reduced salaries;
- deregistered securities; and
- requested discounts from vendors and/or payment plans.

To the extent the business disruption continues for an extended period, additional cost management actions will be considered to protect our long-term financial health and ensure our ability to continue serving our viewers, listeners and advertisers.

Since March 2020, most of our employees have been working from home, with only certain essential employees working on site. For employees working at our facilities, we have instituted social distancing protocols, increased the level of cleaning and sanitizing and undertaken other actions to make our facilities safer. We are generally following the requirements and protocols published by the U.S. Centers for Disease Control and the World Health Organization, and state and local governments. As of the date of this filing, we do not believe our work from home protocol has adversely impacted our internal controls, financial reporting systems or our operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was signed into law. The CARES Act provides opportunities for additional liquidity, loan guarantees, and other government programs to support companies affected by the COVID-19 pandemic and their employees. The CARES Act allocated $349 billion to the Paycheck Protection Program (the "PPP"). An additional $310 billion was allocated to the PPP with the enactment of the Paycheck Protection Program and Healthcare Enhancement Act ("CARES 2.0") on April 21, 2020. Subsequently, on June 5, 2020, the Paycheck Protection Flexibility Act of 2020 ("Flexibility Act") was signed into law, amending the CARES Act. Based on the Company's analysis of the CARES Act, the benefits it has already taken advantage of or expects to recognize include:

- Given the uncertainty in the duration of the COVID-19 pandemic, the Company applied for and on April 15, 2020 received an unsecured PPP Loan in the amount of $6,478,800 in order to avoid near term layoffs and to support the Company's ongoing operations which is providing vital information and entertainment to its Latino communities. The Company applied for forgiveness of the PPP Loan within the required timeframe. The Company has accounted for the PPP Loan under International Accounting Standard 20 *Accounting for Government Grants and Disclosure of Government Assistance* ("IAS 20") since in substance the PPP Loan is a grant that was forgiven and the Company used the proceeds to maintain employment and compensation levels and pay benefits.

  On October 8, 2020, our lender approved the Company's application for the forgiveness of its PPP Loan and submitted our forgiveness application to the SBA. On April 6, 2021, the SBA informed the Company that the PPP Loan and the accumulated and unpaid interest had been forgiven in its entirety.

  The Company incurred eligible technical and programming, selling and administrative, and corporate payroll related expenses in excess of $6.5 million for the year ended December 31, 2020. In accordance with IAS 20 and because there was reasonable assurance the forgiveness conditions would be met, the Company recorded the $6.5 million earnings impact on a systematic basis over the period in which the Company recognized as expenses the related costs for which the PPP Loan was intended to compensate. The Company recognized $6.5 million as a reduction of payroll expenses in

2020 within operating income on its consolidated statements of operations. The PPP proceeds of $5.1 million, $0.8 million and $0.6 million were included as offsets to radio, television and corporate expenses, respectively. Additionally, in 2020, the Company recognized the $6.5 million cash impact of the PPP loan within cash flows from operations on its consolidated statement of cash flows as the nature of the expenses for which the loan was used are operational in nature.

- Relaxation of interest expense deduction limitation for income tax purposes. The limitation on interest increases from 30% to 50% for 2019 and 2020. This resulted in an expected benefit relating to 2019 in the amount of $2.4 million. The Company has deducted additional interest in 2020 in accordance with this legislation.

The Company continues to review and consider any available potential benefit under governmental programs for which it may qualify.

Subsequent to year end, the Company applied for the Second Draw of PPP Loan in the amount of $2,000,000, which if granted, will be utilized to pay for and maintain employment and compensation levels as required by the CARES Act for the loan to be forgiven. These funds will help support the Company's ongoing operations and avoid layoffs in the near term.

Employees

As of December 31, 2020, we had 348 full-time employees and 86 part-time employees. In July 2016, SAG-AFTRA was certified as the exclusive collective bargaining representative of a bargaining unit that now consists of approximately 27 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 that now consists of approximately 7 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 on-air talent, as well as our ability to hire and retain qualified personnel. The loss of any of our executive officers and key employees, particularly Raúl Alarcón, Chairman of our Board of Directors, Chief Executive Officer and President, could have a material adverse effect on our business.

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 2020 and 2019, local and digital revenue comprised 66% and 68% 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 2020 and 2019, national and network revenue comprised 23% and 18% 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 2020 and 2019, barter revenue comprised 4% and 5% 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 2020 and 2019, special events revenue comprised 5% of our gross revenues.
- *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, rental income from renting available tower space or sub-channels and various other non-broadcast related revenues. For the years ended 2020 and 2019, other revenue comprised 2% and 4% of our gross revenues, respectively.

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.

Year Ended 2020 Compared to Year Ended 2019

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

	Year Ended December 31, 2020	Year Ended December 31, 2019
Net revenue:		
Radio	$ 104,255	$ 140,385
Television	17,684	16,280
Consolidated	$ 121,939	$ 156,665
Engineering and programming expenses:		
Radio	$ 19,511	$ 22,283
Television	6,952	6,598
Consolidated	$ 26,463	$ 28,881
Selling, general and administrative expenses:		
Radio	$ 47,086	$ 58,351
Television	5,911	6,441
Consolidated	$ 52,997	$ 64,792
Corporate expenses:	$ 8,533	$ 11,721
Depreciation and amortization:		
Radio	$ 1,628	$ 1,623
Television	1,385	1,768
Corporate	248	211
Consolidated	$ 3,261	$ 3,602
(Gain) loss on the disposal of assets, net:		
Radio	$ 68	$ (62)
Television	(3,329)	427
Corporate	—	—
Consolidated	$ (3,261)	$ 365
Recapitalization costs:		
Radio	$ —	$ —
Television	—	—
Corporate	4,679	6,845
Consolidated	$ 4,679	$ 6,845
Executive severance expenses:		
Radio	$ —	$ —
Television	—	—
Corporate	—	1,844
Consolidated	$ —	$ 1,844
Impairment charges:		
Radio	$ 14,352	$ —
Television	—	—
Corporate	—	—
Consolidated	$ 14,352	$ —
Other operating expense (income):		
Radio	$ 1,139	$ (16)
Television	(37)	—
Corporate	—	—
Consolidated	$ 1,102	$ (16)
Operating income (loss):		
Radio	$ 20,471	$ 58,206
Television	6,802	1,046
Corporate	(13,460)	(20,621)
Consolidated	$ 13,813	$ 38,631

The following summary table presents a comparison of our operating results of operations for the years ended December 31, 2020 and 2019. 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,	
	2020	2019
Net revenue	$ 121,939	$ 156,665
Engineering and programming expenses	26,463	28,881
Selling, general and administrative expenses	52,997	64,792
Corporate expenses	8,533	11,721
Depreciation and amortization	3,261	3,602
(Gain) loss on disposal of assets, net of disposal costs	(3,261)	365
Recapitalization costs	4,679	6,845
Executive severance expenses	—	1,844
Impairment charges	14,352	—
Other operating expense (income)	1,102	(16)
Operating income	$ 13,813	$ 38,631
Interest expense	(31,587)	(31,245)
Dividends on Series B preferred stock classified as interest expense	(9,734)	(9,734)
Interest income	—	20
Income tax benefit	(2,389)	(1,400)
Net loss	$ (25,119)	$ (928)

Overview

For the twelve months ended December 31, 2020, our business was significantly impacted by the COVID-19 pandemic as advertising demand weakened and live events were postponed. Subsequent to the quarter ending June 30, 2020, we observed sequential quarter over quarter increases in advertising demand in both our radio and television segments despite the continued effects of the COVID-19 pandemic. During this time, we also implemented cost savings strategies to align our operating expenses with the current market conditions. Additionally, we received $6.5 million of PPP proceeds that were directly used to offset and reduce employee related costs.

Net Revenue

The decrease in our consolidated net revenues of $34.7 million or 22% was due to a decrease in our radio segment net revenue offset by an increase in our television segment net revenue. Radio and television segment revenue includes the negative impact on advertising demand and the postponement of live events due to the COVID-19 pandemic. Our radio segment net revenue decreased $36.1 million or 26% due to decreases in all advertising and special events revenue streams excluding national revenue. Our television segment net revenue increased $1.4 million or 9%, due to increases in local and national sales partially offset by decreases in sub-channel rental income and subscriber fees.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $2.4 million or 8% was due to a decreases in our radio segment offset by an increase in our television segment expenses. Our radio segment expenses decreased $2.8 million or 12%, mainly due to decreases in compensation and benefits and music license fees partially offset by increases in transmitter rent. Our television segment expenses increased $0.4 million or 5%, primarily due to increases in production costs which was partially offset by decreases in expenses related to the sale of our Houston television assets. Consolidated engineering and programming related expenses of $2.3 million were directly offset and reduced through the use of PPP proceeds which paid for employee related costs. PPP proceeds of $1.8 million were used in radio and $0.5 million in television, respectively.

Selling, General, and Administrative Expenses

The decrease in our consolidated selling, general and administrative expenses of $11.8 million or 18% was due to decreases in both our radio and television segment expenses. Our radio segment expenses decreased $11.3 million or 19%, primarily due to decreases in compensation and benefits, special event expenses, barter, commissions, and professional fees partially offset by increases in our allowance for doubtful accounts. Our television segment expenses decreased $0.5 million or 8%, primarily due to decreases in expenses related to the sale of our Houston television assets offset by an increase in our allowance for doubtful accounts. Consolidated selling, general and administrative related expenses of $3.6 million were directly offset and reduced through the use of PPP proceeds which paid for employee related costs. PPP proceeds of $3.3 million were used in radio and $0.3 million in television, respectively.

Corporate Expenses

Corporate expenses decreased $3.2 million or 27% primarily due to decreases in compensation and benefits and travel related expenses. PPP proceeds of $0.6 million were used to offset and reduce corporate employee related costs.

Gain on the disposal of assets

The gain on disposal of assets of $3.3 million was primarily related to the sale of our Houston television market's KTBU FCC license, certain transmission related fixed assets and an operating lease related to the transmission site, in March 2020.

Recapitalization Costs

The Company incurred $4.7 million of recapitalization costs, in 2020, a decrease of $2.2 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 12.5% Senior Secured Notes due 2017 who previously entered into a forbearance agreement with us on May 8, 2017.

Impairment Charges

The increase in impairment charges in 2020 of $14.4 million was primarily due to having recognized impairment charges to various of our radio FCC broadcasting licenses and certain abandoned programming assets.

Executive Severance Expenses

The decrease in executive severance expense is due to the Company having incurred $1.8 million of executive severance expenses in connection with the retirement and separation agreement with our former SEVP/CFO in May 2019.

Other Expenses / Income

The Company incurred $1.1 million of other expenses related to the removal of certain tower and antenna structures at one of its former radio transmission facilities and charges related to a data security incident on our network servers.

Operating Income

The decrease in operating income of $24.8 million or 64% was primarily due to decreases in net revenue and impairment charges, resulting from the ongoing negative financial impact of COVID-19, partially offset by the decreases in operating expenses, recapitalization costs, executive severance expenses and the recognition of gains on the disposal of assets.

Interest Expense, net

The increase in interest expense of $0.3 million or 1% was primarily due to increased interest associated with the accrued local tax assessment described in Note 14 to the consolidated financial statements.

Income Tax Benefit

Income tax benefit increased $1.0 million, from a benefit of $1.4 million in 2019 to a benefit of $2.4 million in 2020 primarily as a result of a deferred tax impact of interest disallowances and NOLs in the US, and the recognition of a benefit from Puerto Rico film tax credits.

Net Loss

The increase in net loss of $24.2 million was primarily due to the decrease in operating income.

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of December 31, 2020 and, as of the date of this Year-End Financial Reporting Package, are as follows:

- The Company fully repaid the outstanding Notes balance of $249.9 million on February 17, 2021, when it completed its offering of $310 million, in aggregate principal amount of 9.750% Senior Securred Notes due 2026 (the "2026 Notes").
- On February 5, 2021, the Company entered into the Series B Settlement Agreement and Series B Purchase Agreement with holders owning 85,265 shares of our Series B preferred stock (the "Selling Series B Preferred Holders)(collectively, the "Series B Preferred Stock Transaction Agreement"). Pursuant to the Series B Settlement Agreement, we, together with the Selling Series B Preferred Holders, agreed to fully resolve and settle any and all claims and causes of action arising out of, or related to, the Preferred Holder Complaint or the Series B preferred stock. We entered into the Series B Purchase Agreement with the Selling Series B Preferred Holders and agreed to acquire all of the Series B preferred stock held by such parties for their pro rata share of the following: (i) an aggregate cash purchase price of $60 million and (ii) 1,939,365 (adjusted for fractional shares) shares of our Class A Common Stock, all of which is subject to the terms and conditions of the Series B Purchase Agreement. We also redeemed the remaining 5,283 shares, or 5.84%, of the Series B preferred stock that was not to be acquired pursuant to the Series B Purchase Agreement by redeeming such Series B preferred stock in accordance with the terms of the Certificate of Designations.
- Concurrently with the completion of the 2026 Notes offering, we entered into a new senior secured asset-based revolving credit facility (the "New Revolving Credit Facility"), providing for borrowings of up to $15.0 million which we intend to us, if necessary, to finance working capital needs and other general corporate purposes. The New Revolving Credit Facility is currently undrawn.
- We had a working capital deficit of $84.0 million, primarily due to the classification of a portion of our Series B preferred stock as current liabilities. Excluding the Series B preferred stock of $192.3 million, our adjusted working capital totals $53.4 million. After settlement of the Series B preferred stock and resulting gain to be recognized in the quarter ended March 31, 2021, we will have positive working capital.

Although we have access to a $15 million revolving credit facility, our primary source of liquidity is our current cash and cash equivalents. 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, some of which may be exacerbated by the COVID-19 pandemic.

Our strategy is to primarily utilize cash flows from operations to meet our ordinary course operating obligations, as well as availability under the revolving credit facility (as needed). Assumptions which underlie management's beliefs with respect to operating activities include the following:

- the significant deterioration in economic conditions and demand for advertising within the broadcasting industry due to the COVID-19 pandemic is expected to be temporary as evidenced by conditions that have steadily improved through year end;
- we will continue to successfully implement our business strategy;
- we will use cash flows from operating activities to fund our operations and pay our expenses (including interest on the Notes), 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 and will continue to evaluate strategic media acquisitions and/or dispositions and strive 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 and will continue to discuss potential acquisitions and/or dispositions and expansion of our content through media outlets from time to time in the ordinary course of business.

Given the uncertainty in the duration of the COVID-19 pandemic, the Company applied for and on April 15, 2020 received an unsecured PPP Loan in the amount of $6,478,800 in order to avoid near term layoffs and to support the Company's ongoing operations which is providing vital information and entertainment to its Latino communities. The Company applied for forgiveness of the PPP Loan within the required timeframe and used the proceeds to maintain employment and compensation levels and pay benefits. On October 8, 2020, our lender approved the Company’s application for the forgiveness of its PPP Loan and submitted our approved forgiveness application to the SBA. On April 6, 2021, the SBA informed the Company that the PPP Loan and the accumulated and unpaid interest had been forgiven in its entirety.

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, our Chairman of the Board and Chief Executive Officer, 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, 2020, we had 4,241,991 shares of Class A common stock outstanding.

Class B Common Stock

As of December 31, 2020, 2,340,353 shares of Class B common stock were outstanding, which have ten votes per share. Raúl Alarcón, our our Chairman of the Board and Chief Executive Officer, has voting control over all but 350 shares of the Class B common stock.

Record Holders

As of December 31, 2020, there were approximately 85 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.

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the years ended December 31, 2020 and 2019, 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, 2020	Year Ended December 31, 2019	Change $
Capital expenditures:			
Radio	$ 1,514	$ 2,003	(489)
Television	560	1,337	(777)
Corporate	461	458	3
Consolidated	$ 2,535	$ 3,798	(1,263)
Net cash flows (used in) provided by operating activities	$ (7,599)	2,200	(9,799)
Net cash flows provided by (used in) investing activities	14,921	(3,812)	18,733
Net cash flows used in financing activities	—	—	—
Net increase (decrease) in cash and cash equivalents	$ 7,322	(1,612)	

Capital Expenditures

The decrease in our capital expenditures was primarily due to cost cutting and cash conservation efforts the Company initiated limiting capital expenditures to help offset the negative financial impact of the COVID-19 pandemic.

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 provided by investing activities were primarily a result of having sold assets related to our Houston television station in March 2020.

Net Cash Flows Used in Financing Activities

There were no changes from our financing activities.

Special Note Regarding Forward-Looking Statements

This Year End Reporting Package 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. 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. These forward-looking statements may involve known and unknown risks, uncertainties and other factors that may cause the Company's actual results and performance in future periods to be materially different from any future results or performance suggested by the forward-looking statements in this press release. Although we believe the expectations reflected in such forward-looking statements are based upon reasonable assumptions, we can give no assurance that actual results will not differ materially from these expectations.

"Forward-looking" statements represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, our recapitalization plan and restructuring efforts, 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. 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 actual results may differ materially depending on a variety of important factors, including, but not limited to the following: failure to repay our Notes; we are highly leveraged and our substantial level of indebtedness adversely affects our financial condition and prevents us from fulfilling our financial obligations; we face several risks regarding the foreign ownership issue that include but are not limited to an order to divest, fines, denial of license renewal and/or spectrum license revocation; 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 face several risks relating to our NOL carry-forwards since they can become subject to limitations under Section 382 of the Internal Revenue Code of 1986 if we experience an ownership change as well as the provisions set forth in the Tax Cuts and Jobs Act; 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, a large portion of our net revenue and operating income currently comes from our New York, Los Angeles and Miami 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; the success of our radio stations depends on the popularity and appeal of our content, which is difficult to predict; the success of our television operation depends upon our ability to attract viewers and advertisers to our broadcast television operation; the loss of distribution agreements could materially adversely affect our results of operations; our business is affected by natural catastrophes that can disrupt our operations, by causing failure or destruction of satellites and transmitter facilities that we depend upon to distribute our programming; we may incur property and other losses that are not adequately covered by insurance; we must respond to rapid changes in technology, content creation, services and standards in order to remain competitive; cybersecurity risks could affect our operations and adversely affect our business; 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. Impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly; piracy of our programming and other content, including digital and Internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability; damage to our brands or reputation could adversely affect our company; our business may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees. Raúl Alarcón, the Chairman of our Board of Directors, Chief Executive Officer and President, has majority voting control of our common stock and 100% voting control of our Series C preferred stock and this control may discourage or influence certain types of transactions or strategic initiatives; our deregistered stock's liquidity can be adversely affected because we are no longer required to report to the SEC and our stock continues to trade on the OTC Pink 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; changes in U.S. communications laws or other regulations may have an adverse effect on our business. Proposed legislation would require radio broadcasters to pay royalties to record labels and recording artists; 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; 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; 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; we may be adversely affected by comprehensive tax reform; new or changing federal, state or international privacy legislation or regulation could hinder the growth of our internet business; 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.

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