Quarterly Financial Reporting Package
For the period ended September 30, 2023

Spanish Broadcasting System, Inc.
and Subsidiaries

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 exchange/market on which traded
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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AND SUBSIDIARIES
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(In thousands, except share data)

	September 30, 2023	December 31, 2022
Assets		
Current assets:		
Cash and cash equivalents	$ 6,906	$ 7,517
Receivables:		
Trade	36,198	44,805
Barter	299	312
	36,497	45,117
Less: allowance for doubtful accounts	2,517	2,389
Net receivables	33,980	42,728
Prepaid expenses and other current assets	3,471	3,084
Assets held for sale	31,205	—
Total current assets	75,562	53,329
Property and equipment, net	9,424	23,052
FCC broadcasting licenses	248,805	309,537
Goodwill	32,806	32,806
Operating lease right-of-use assets	19,984	22,083
Other assets	814	808
Total assets	$ 387,395	$ 441,615
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	$ 21,107	$ 20,997
Accrued interest	2,816	10,540
Unearned revenue	2,221	1,310
Operating lease liabilities	1,294	1,085
Liabilities held for sale	1,060	—
Revolving credit facility	4,900	—
Other short term liabilities	46	46
Total current liabilities	33,444	33,978
Operating lease liabilities, net of current portion	21,652	23,570
9.75% senior secured notes due 2026, net of deferred financing costs of $4,531 at September 30, 2023 and $5,963 at December 31, 2022 (Note 6)	305,469	304,037
Deferred tax liabilities	48,765	58,169
Other liabilities, less current portion	3,463	3,766
Total liabilities	412,793	423,520
Stockholders' equity:		
Series C convertible preferred stock, $0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at September 30, 2023 and at December 31, 2022	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 6,209,446 shares issued and outstanding at September 30, 2023 and 5,041,878 shares issued and outstanding at December 31, 2022	1	1
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at September 30, 2023 and December 31, 2022	—	—
Additional paid-in capital	652,986	652,797
Accumulated deficit	(678,389)	(634,707)
Total stockholders' equity (deficit)	(25,398)	18,095
Total liabilities and stockholders' equity (deficit)	$ 387,395	$ 441,615

See accompanying notes to unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations
(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue from continuing operations	$ 35,007	$ 38,048	$ 105,001	$ 111,125
Operating expenses from continuing operations:				
Operating expenses	24,976	24,084	78,206	74,085
Corporate expenses	3,410	3,579	10,735	12,086
Depreciation and amortization	578	533	1,703	1,476
(Gain) loss on the disposal of assets	—	(9)	104	(11)
Impairment charges	43,583	—	43,583	—
Other operating expenses	80	40	415	40
Total operating expenses from continuing operations	72,627	28,227	134,746	87,676
Operating income (loss) from continuing operations	(37,620)	9,821	(29,745)	23,449
Other expenses from continuing operations:				
Interest expense, net	(8,053)	(8,077)	(24,207)	(24,364)
Income tax (benefit) expense	(6,856)	452	(10,529)	(74)
Income (loss) from continuing operations before discontinued operations	(38,817)	1,292	(43,423)	(841)
Income (loss) from discontinued operations, net of tax (Note 9)	6,278	(386)	(259)	(2,504)
Net income (loss)	$ (32,539)	$ 906	$ (43,682)	$ (3,345)
Class A weighted average common shares outstanding (Note 3)				
Basic and Diluted	6,210	5,042	6,051	5,042
Class B weighted average common shares outstanding (Note 3)				
Basic and Diluted	2,340	2,340	2,340	2,340
Series C (as converted) weighted average common shares outstanding (Note 3)				
Basic and Diluted	760	760	760	760
Class A, B and Series C (as converted) income (loss) from continuing operations per common share (Note 3)				
Basic and Diluted	$ (4.17)	$ 0.16	$ (4.75)	$ (0.10)
Class A, B and Series C (as converted) income (loss) from discontinued operations per common share (Note 3)				
Basic and Diluted	$ 0.67	$ (0.05)	$ (0.02)	$ (0.31)
Class A, B and Series C (as converted) net income (loss) per common share (Note 3)				
Basic and Diluted	$ (3.50)	$ 0.11	$ (4.77)	$ (0.41)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Cash Flows
(In thousands)

	Nine Months Ended September 30, 2023	Nine Months Ended September 30, 2022
Cash flows from operating activities:		
Net loss	$ (43,682)	$ (3,345)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Impairment charges	43,583	—
(Gain) loss on the disposal of assets, net of disposal costs	104	(21)
Stock-based compensation	189	189
Depreciation and amortization	1,815	2,471
Net barter income	(388)	(399)
Provision for trade doubtful accounts	556	448
Amortization of deferred financing costs	1,432	1,432
Deferred income taxes	(9,404)	2,000
Unearned revenue-barter	269	127
Changes in operating assets and liabilities:		
Trade receivables	8,179	12,511
Prepaid expenses and other current assets	(12)	1,377
Other assets	1,185	1,388
Accounts payable and accrued expenses	(3,273)	(7,872)
Accrued interest	(7,724)	(7,368)
Other liabilities	(623)	(528)
Net cash provided by (used in) operating activities	(7,794)	2,410
Cash flows from investing activities:		
Purchases of property and equipment	(2,142)	(3,316)
Deposit retention from terminated asset purchase agreements	3,800	—
Post acquisition purchase price adjustment and prior year purchase of radio stations and related assets	1,000	(12,663)
Deposit for acquisition of radio station and related assets	(375)	—
Insurance proceeds received for damage to equipment	—	377
Proceeds from the sale of property and equipment	—	11
Net cash provided by (used in) investing activities	$ 2,283	$ (15,591)
Cash flows from financing activities:		
Proceeds from revolving credit facility	4,900	4,000
Net cash provided by financing activities	$ 4,900	$ 4,000
Net decrease in cash and cash equivalents	(611)	(9,181)
Cash and cash equivalents at beginning of period	7,517	16,243
Cash and cash equivalents at end of period	$ 6,906	$ 7,062
Supplemental cash flows information:		
Interest paid	$ 30,400	$ 30,300
Income tax paid with cash	$ 1,367	$ 4,592

See accompanying notes to unaudited condensed consolidated financial statements.

1. Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Spanish Broadcasting System, Inc. and its subsidiaries (the Company, we, us, our or SBS). All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements as of September 30, 2023, and December 31, 2022 and for the three and nine months ended September 30, 2023 and 2022 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information. They do not include all information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements included in our Year End Financial Reporting Package for the fiscal year ended December 31, 2022. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are all of a normal and recurring nature, necessary for a fair presentation of the results of the interim periods. Additionally, we evaluated subsequent events after the balance sheet date of September 30, 2023 through the financial statements' issuance date. The results of operations for the three and nine months ended September 30, 2023 are not necessarily indicative of the results for the entire year ending December 31, 2023 or for any future interim or annual periods.

The preparation of consolidated financial statements in conformity with U.S. GAAP 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 Federal Communications Commission (the "FCC") broadcasting licenses, and goodwill, the recoverability of right-of-use assets, the fair value of Level 2 financial instruments, 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 some advertising spending have combined to increase the uncertainty inherent in such estimates and assumptions.

We assessed these aforementioned estimates and judgments utilizing information reasonably available to us and considering the unknown future impacts of the declining performance for total market revenues in our radio and television markets, we performed an interim impairment test as of September 30, 2023 of our goodwill and FCC broadcasting radio and television FCC broadcasting licenses. As a result of the interim impairment test, we determined that there was no impairment to goodwill, however, there was an impairment to our radio FCC broadcasting licenses, primarily due to the discount rate increase and lower industry advertising revenue growth projections due to certain risk associated with the current U.S. economy. We recorded a non-cash impairment loss of approximately $43.6 million that reduced the carrying value of such FCC broadcasting licenses. Actual results could differ from these estimates.

The accompanying unaudited condensed consolidated financial statements as of September 30, 2023, and December 31, 2022 and for the three and nine months ended September 30, 2023 and 2022 reflect data on the discontinued operations of our television segment, as applicable. See Note 9 for additional details on our television segment and its classification as discontinued operations.

2. Revenue

In accordance with Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 three and nine months ended September 30, 2023 and 2022 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Local, national, digital and network	$ 37,502	$ 39,465	$ 106,360	$ 108,708
Special events	—	30	5,905	9,827
Barter	2,175	1,388	4,839	4,261
Other	233	2,570	1,969	3,051
Gross revenue	$ 39,910	$ 43,453	$ 119,073	$ 125,847
Less: Agency commissions	4,903	5,405	14,072	14,722
Net revenue	$ 35,007	$ 38,048	$ 105,001	$ 111,125

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, or streamed on the Company's La Musica application, its websites or third party sites 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, or in the case of certain digital products to deliver a specified number of impressions over a period of time, 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 , appears or is viewed.

b) Special events

Special events revenue is generated from ticket sales and licensing agreements, as well as through profit-sharing arrangements for producing or co-producing live concerts and events promoted by radio stations and digital properties.

In addition to ticket sales and licensing agreements, 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). 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 acts 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 primarily 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 three months ended September 30, 2023 and 2022, barter revenue of $2.2 million and $1.4 million was offset by barter expense of $1.9 million and $1.0 million, respectively. For the nine months ended September 30, 2023 and 2022, barter revenue of $4.8 million and $4.3 million was offset by barter expense of $4.3 million and $3.4 million, respectively

d) Other revenue

Other revenue consists primarily of ancillary revenue such as rental income from renting available tower space or sub-channels and various other non-broadcast related revenues. Other revenues related to renting tower space are recognized in accordance with ASC 842 - Leases. For the nine months ended September 30, 2023 and 2022, other revenue includes the receipt of $1.3 million and $2.3 million related to a 2020 business interruption insurance claim, respectively.

e) Agency commissions

Agency commissions are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings less their commission to the Company when the advertisement is not placed directly by the advertiser.

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 three months ended September 30, 2023, there was $0.1 million of local, national, digital or network revenue recognized that was included in the unearned revenue balances at the beginning of the period. During the nine months ended September 30, 2023, there was $0.6 million of local, national, digital and network revenue that were included in the unearned revenue balances at the beginning of the period.

During the three months ended September 30, 2023, there was no special events revenue recognized that was included in the unearned balances at the beginning of the period. There was $0.2 million of special events revenue recognized during the nine months ended September 30, 2023 that was included in the unearned balance at the beginning of the period.

Barter and other revenue recognized during the three and nine months ended September 30, 2023 that were included in unearned revenue balances at the beginning of the period were $0.1 million.

At September 30, 2023 there was $1.2 million of variable consideration in the form of agency based volume discounts accrued as contract liabilities within accrued expenses as compared to $1.7 million and $1.5 million at June 30, 2023 and at December 31, 2022, respectively. Variable consideration in the form of agency-based volume discounts of $0.4 million and $1.1 million were recognized and recorded as contract liabilities within accrued expenses during the three and nine months ended September 30, 2023, 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.

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

In calculating net income (loss) per share, the Company follows the two-class method, which distinguishes between classes of securities based on the proportionate participation rights of each security type in the Company's undistributed net loss. The Company's Class A common stock, Class B common stock and Series C convertible preferred stock share equally on an as-converted basis with respect to net income (loss).

Basic net income (loss) per common share is computed by dividing net income (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 income (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 loss from continuing and discontinued operations and net loss applicable to common stockholders and the income (loss) from continuing and discontinued operations and net income (loss) per common share for the three and nine months ended September 30, 2023 and 2022 (in thousands, except per share data):

	Three Months Ended September 30,					
	2023			2022		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic and Diluted net income (loss) per share:						
Numerator						
Allocation of undistributed income (losses) from continuing operations	$ (25,890)	$ (9,758)	$ (3,169)	$ 800	$ 371	$ 121
Allocation of undistributed income (losses) from discontinued operations	$ 4,187	$ 1,578	$ 513	$ (239)	$ (111)	$ (36)
Allocation of undistributed net income (losses)	$ (21,703)	$ (8,180)	$ (2,656)	$ 561	$ 260	$ 85
Denominator						
Number of shares used in per share computation (as converted)	6,210	2,340	760	5,042	2,340	760
Basic and Diluted income (losses) per share from continuing operations	$ (4.17)	$ (4.17)	$ (4.17)	$ 0.16	$ 0.16	$ 0.16
Basic and Diluted income (losses) per share from discontinued operations	$ 0.67	$ 0.67	$ 0.67	$ (0.05)	$ (0.05)	$ (0.05)
Basic and Diluted net income (losses) per share	$ (3.50)	$ (3.50)	$ (3.50)	$ 0.11	$ 0.11	$ 0.11
Common stock equivalents excluded from calculation of diluted net loss per share as the effect would have been anti-dilutive:	507	—	—	—	—	—

	Nine Months Ended September 30,					
	2023			2022		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic and Diluted net income (loss) per share:						
Numerator						
Allocation of undistributed income (losses) from continuing operations	$ (28,712)	$ (11,105)	$ (3,606)	$ (521)	$ (242)	$ (79)
Allocation of undistributed losses from discontinued operations	$ (171)	$ (66)	$ (22)	$ (1,550)	$ (720)	$ (234)
Allocation of undistributed net losses	$ (28,883)	$ (11,171)	$ (3,628)	$ (2,070)	$ (961)	$ (312)
Denominator						
Number of shares used in per share computation (as converted)	6,051	2,340	760	5,042	2,340	760
Basic and Diluted income (losses) per share from continuing operations	$ (4.75)	$ (4.75)	$ (4.75)	$ (0.10)	$ (0.10)	$ (0.10)
Basic and Diluted losses per share from discontinued operations	$ (0.02)	$ (0.02)	$ (0.02)	$ (0.31)	$ (0.31)	$ (0.31)
Basic and Diluted net income (losses) per share	$ (4.77)	$ (4.77)	$ (4.77)	$ (0.41)	$ (0.41)	$ (0.41)
Common stock equivalents excluded from calculation of diluted net loss per share as the effect would have been anti-dilutive:	508	—	—	529	—	—

4. Stockholders’ Equity

The changes in stockholder’s equity for the three and nine months ended September 30, 2023 and 2022 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Beginning balance	$ 7,077	$ 18,533	$ 18,095	$ 22,659
Net loss	(32,539)	906	(43,682)	(3,345)
Stock-based compensation	64	64	189	189
Ending balance	$ (25,398)	$ 19,503	$ (25,398)	$ 19,503

5. Commitments and Contingencies

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

6. $310 Million Senior Secured Notes Due 2026 and Revolving Credit Facility

a) *$ 310 million Senior Secured Notes Due 2026*

On February 17, 2021, the Company completed its private offering of $310.0 million aggregate principal amount of its 9.75% Senior Secured Notes due 2026 (the “Notes”). Interest on the Notes accrues at the rate of 9.75% per annum and is payable semi-annually in arrears on March 1 and September 1 of each year, beginning on September 1, 2021. The Notes will mature on March 1, 2026, unless redeemed or repurchased earlier. Prior to September 1, 2023, the Company will be subject to certain premiums, as defined in the Indenture, for certain optional redemption of some or all of the Notes. Further, at any time on or prior to September 1, 2023, we may redeem up to 40% of the aggregate principal amount of the Notes with the proceeds of certain equity offerings. In addition, we may redeem the Notes with the proceeds of certain assets sales. If we experience certain change of control events, noteholders may require us to repurchase all or part of their Notes at 101% of the sum of the principal amount of the Notes, plus any other interest that is accrued and unpaid to, but not including, the repurchase date.

The Notes will rank equally with all our existing and future senior indebtedness and senior to all our existing and future subordinated indebtedness. The Notes and related guarantees will be structurally subordinated to all existing and future indebtedness and other liabilities (including trade payables but excluding intercompany liabilities) of each of our non-guarantor subsidiaries. The Notes and the related guarantees will be secured on a first-priority basis (other than with respect to certain ABL Priority Collateral securing a 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 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 several 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 Notes may declare the Notes immediately due and payable, or in certain circumstances, the Notes automatically will become due and immediately payable. At September 30, 2023, the Company had no events of default under the Indenture.

b) *Revolving Credit Facility*

Concurrently with the completion of the Notes offering, we entered a senior secured asset-based revolving credit facility (the "Revolver"), providing for borrowings of up to $15.0 million subject to compliance with a "borrowing base" and we are limited to $7.5 million based on our total leverage ratio calculation exceeding 9:00 to 1:00 and our fixed charge coverage ratio calculation being less than 1:05 to 1:00. The Company drew down $4.9 million on August 31, 2023 which bears interest of SOFR plus 2.25%. Subsequent to September 30, 2023, the Company repaid $3.4 million of the then outstanding balance and its current amount outstanding on the Revolver is $1.5 million.

At the Company's election, the interest rate on borrowings under the Revolver will bear interest at: (a) so long as the Leverage Fall Away Trigger shall not then be continuing, either (i) SOFR 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) SOFR 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). The current interest rate on the Revolver is either (i) SOFR plus a margin of 2.25% or (ii) the base rate plus a margin of 1.25%.

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

7. Income Taxes

The Company follows the guidance in ASC 270, "Interim Reporting" and ASC 740 "Income Taxes", whereby the Company utilizes the expected annual effective tax rate in determining its income tax provisions for the interim periods. In assessing the realizability of the deferred tax assets, management considers whether it is more likely than not that some portion or the entire deferred tax assets will not be realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment.

Our income tax expense differs from the statutory federal tax rate of 21% and related statutory state tax rates primarily due to nondeductible expenses, Puerto Rico withholding taxes and a recording of a valuation allowance on certain tax attributes that are expected to be limited as a result of the Section 382 Limitation that occurred during 2021.

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, New York City, 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 2019 through 2021. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2014 through 2021.

Based on our evaluation, we have concluded that there are no material uncertain tax positions requiring recognition in our unaudited condensed consolidated financial statements as of September 30, 2023.

8. 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 unaudited condensed 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 is estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy.

The estimated fair value of our financial instruments is as follows:

		September 30, 2023		December 31, 2022	
Description	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
9.75% senior secured notes due 2026 (Note 6)	Level 2	$ 310.0	$ 212.2	$ 310.0	$ 178.7

9. Sale of Television Assets (Assets Held for Sale & Discontinued Operations)

On February 9, 2023, the Company entered into various asset and real property purchase agreements (together the "Purchase Agreements") to sell substantially all its television and certain real estate assets (together the "Purchased Assets") which comprise the Company's television operations known as MegaTV, serving the United States of America and Puerto Rico, to Voz Media, Inc. ("Voz Media") for $64 million. Pursuant to the Purchase Agreements, the Purchased Assets include: licenses, permits and authorizations issued by the FCC; programming content, equipment, leases and contracts used in or related to the operation of MegaTV; and certain real properties located in Miami, Florida and Puerto Rico as part of the transaction.

On September 20, 2023, the Company terminated the Purchase Agreements because Voz Media did not cure its material breach to timely close on the transaction when notified by the Company. The Company had recorded $0.9 million of related legal fees and costs related to the transaction in "Prepaid expenses and other current assets" on its balance sheet. Upon termination of the Purchase Agreements, due to the buyer's material breach, the Company offset the buyer's $3.8 million non-refundable deposit with these costs and recognized the difference of $2.9 million as other operating income on its statements of operations which is within discontinued operations. On October 10, 2023, the Company filed a lawsuit related to the contemplated sale of its Mega TV television network and other related assets to Voz Media, Inc. where it seeks to recover monetary damages against the plaintiffs.

The Company continues to pursue the sale of these television and real estate assets. There can be no assurance that the sale of these assets will be completed promptly or at all.

In accordance with FASB ASC Topic 360-10-45-9, Long-Lived Assets Classified as Held for Sale, management determined that the ongoing plans to sell its television and certain real estate assets meet the held for sale criteria as of the balance sheet date of this Financial Reporting Package.

The table below represents a summary of the assets and liabilities classified as held for sale as of September 30, 2023 on the Company's Unaudited Condensed Consolidated Balance Sheet.

		September 30, 2023
Assets		
Property and equipment, net	$	14,135
FCC broadcasting licenses		16,149
Operating lease right-of-use-assets		921
Assets held for sale	$	31,205
Liabilities		
Operating lease liabilities	$	79
Operating lease liabilities, net of current portion		981
Liabilities held for sale	$	1,060

Additionally, the Company had no investments in capital expenditures during the three months ended September 30, 2023 and invested $0.1 million during the three months ended September 30, 2022. During the nine months ended September 30, 2023 and 2022, the Company invested $0.1 million and $0.4 million respectively. Capital expenditures incurred during the nine months ended September 30, 2023 are included in assets held for sale for the period ended September 30, 2023, listed above.

Once assets are classified as held for sale, management is required to evaluate if under ASC Topic 205-20-45, Discontinued Operations, the disposal of a component of an entity shall be reported in discontinued operations. Management determined that the disposal represents a strategic shift that will have a major effect on operations and financial results, at the balance sheet date, and that the results of the television segment shall be reported as discontinued operations. The operational and financial results related to the held for sale assets of the television segment, which include the real estate assets and production facility located in Miami, Florida, are classified as discontinued operations in the current and prior year periods in the Unaudited Condensed Consolidated Statements of Operations.

The table below represents the amounts classified as discontinued operations during the three and nine months ended September 30, 2023 and 2022 on the Company's Unaudited Condensed Consolidated Statements of Operations.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net revenue from discontinued operations	$ 1,681	$ 3,223	$ 5,299	$ 8,056
Operating expenses from discontinued operations:				
Operating expenses	2,971	3,686	9,153	11,008
Depreciation and amortization	—	336	112	996
Gain on the disposal of assets	—	—	—	(11)
Recapitalization costs	—	—	—	—
Executive severance expense	—	—	—	—
Other operating income	(2,923)	—	(2,923)	—
Operating income (loss) from discontinued operations	1,633	(799)	(1,043)	(3,937)
Other expenses from discontinued operations:				
Interest expense	(55)	—	(61)	—
Pre-tax income (loss) from discontinued operations	1,578	(799)	(1,104)	(3,937)
Income tax benefit	(4,700)	(413)	(845)	(1,433)
Income (loss) from discontinued operartions	$ 6,278	$ (386)	$ (259)	$ (2,504)

10. Acquisition of FM Radio Station

On April 3, 2023, Spanish Broadcasting System SouthWest, Inc. and SBS Houston Licensing, Inc., subsidiaries of the Company (collectively, "SBS SouthWest"), entered into an asset purchase agreement (the "Purchase Agreement") to acquire KROI(FM), a FM radio broadcast station (the "Radio Station") serving the Houston, Texas radio market, from Radio One Licenses, LLC and Radio One of Texas II, LLC (collectively, "Radio One"). Pursuant to the Purchase Agreement, Radio One, has agreed to convey certain assets, including licenses, permits and authorizations issued by the FCC, tangible personal property and certain leases used in or related to the operation of the Radio Station to SBS SouthWest.

The purchase price is equal to $7.5 million plus or minus certain customary prorations and adjustments. On April 5, 2023, pursuant to the Purchase Agreement and the related escrow agreement, SBS SouthWest deposited approximately $0.4 million into an escrow account. On November 15, 2023, SBS Southwest and Sugarland Station Trust, LLC, (the trustee charged with the management and sale of KROI on behalf of Radio One) entered into an amendment to the Purchase Agreement (the "Amendment") providing the Company the right to delay the closing until a date that is no later than the first to occur of: (a) the date that is five business days prior to the last day that the FCC Consent is in effect, and (b) July 1, 2024. Also, as part of the Amendment, the Company agreed to release its deposit in escrow of $0.4 million and made a payment of $1.5 million and will make the following $1.0 million payments on January 16th, March 29th, April 30th and May 31st of 2024 to the seller which are applicable towards the purchase price. At closing, the Company will pay the remaining balance of $1.6 million.

The Purchase Agreement contains customary representations, warranties, covenants and closing conditions, including FCC regulatory approval, and the transaction is expected to close during the third quarter of 2024.

11. Impairment of FCC Broadcasting Licenses

The Company generally performs its annual impairment test of its indefinite-lived intangibles during the fourth quarter of the fiscal year. However, given the rising interest rates and the declining performance for total market revenues in the Company's radio markets, the Company determined that a triggering event had occurred. The Company performed an interim impairment test as of September 30, 2023 of its FCC broadcasting radio licenses in New York, Los Angeles, Miami, Chicago, San Francisco, Puerto Rico, Orlando and Tampa FCC television broadcasting license.

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 September 30, 2023. 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 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 September 30, 2023
Discount Rate	10.5%
Long-term Revenue Growth Rate	0.0%
Mature Market Share	2.5% - 18.0%
Mature Operating Profit Margin	24.3% - 31.5%

As a result of the interim impairment test, the Company determined that there was an impairment to most of its radio FCC broadcasting licenses primarily due to the discount rate increase and lower industry advertising revenue growth projections in the subject markets. The Company recorded a non-cash impairment loss of approximately $43.6 million that reduced the carrying value of such FCC broadcasting licenses.

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 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, music, and live entertainment through our multi-media platforms.

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, San Francisco, Orlando, and Tampa. 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. 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 in order to accommodate and monetize such diversity. We customize the programming format of each of our radio stations to capture a substantial share of the Hispanic audience and to match the local preferences of our target demographic audience in our respective markets. 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 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.

As part of our operating business, we maintain multiple Spanish and bilingual websites, including www.lamusica.com, and various station websites that provide content related to Latin music, entertainment, news, and culture, as well as the LaMusica mobile application. The LaMusica mobile application is a music and entertainment video and audio application that programs an extensive series of short form videos, simultaneously live streams our radio stations, includes curated playlists and has tools that enable users to personalize their mobile radio streaming experience. The new video enhancements to our mobile application significantly enhance the audience's engagement level and increase the reach of our mobile offering. We also provide digital marketing solutions through our pure-play digital marketing department, Digidea, and access to the digital realm where brands can explore a diverse range of engaging content, unlock valuable insights, and connect with our thriving podcast community. 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.

As of September 30, 2023, our television segment and related buildings continues to meet the criteria to be classified as held for sale and its operations as discontinued operations in the current and prior year, as determined during the quarter ended March 31, 2023.

Business Drivers and Financial Statement Presentation

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

Net Revenue Description and Factors

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

- Local revenue generally consists of advertising airtime sold to local advertisers. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid programming (or infomercials). Digital revenue generally consists of advertisements placed on the Company's LaMusica application or its digitally streamed stations. For the nine months ended September 30, 2023 and 2022, local and digital revenue comprised 64% of our gross revenues, respectively.

- National and network revenues generally consist 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 nine months ended September 30, 2023 and 2022, national and network revenue comprised 25% and 23% 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 the 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.

- *Special events revenue.* We generate special events revenue from ticket sales and licensing, as well as profit-sharing arrangements by producing or co-producing live concerts and events promoted by our radio stations. For the nine months ended September 30, 2023 and 2022, special events revenue comprised 5% and 8% of our gross revenues respectively.
- *Barter sales.* We use barter sales agreements primarily 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 nine months ended September 30, 2023 and 2022, barter revenue comprised 4% and 3% of our gross revenues, respectively.
- *Other revenue.* We receive other ancillary revenue such as rental income from renting available tower space or sub-channels and various other non-broadcast related revenues. For the nine months ended September 30, 2023 and 2022, other revenue comprised 2% of our gross revenues, respectively.

Operating Expenses Description and Factors

Our operating expenses consist primarily of operating expenses and corporate expenses.

- Operating expenses include engineering, programming, selling, general and administrative expenses which are related to the creation, delivery, and cost of selling our programming content, as well as administrative costs associated with operating and managing our stations and divisions. These expenses include compensation and benefits for employees, transmitter-related expenses, originally produced content, on-air promotions, music license fees, 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 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 stations' management and vendors.

Comparison Analysis of the Operating Results for the Three Months Ended September 30, 2023 and 2022

The following summary table presents a comparison of our operating results for the three months ended September 30, 2023 and 2022. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes.

	Three Months Ended September 30,	
	2023	2022
Net revenue from continuing operations	$ 35,007	$ 38,048
Operating expenses	24,976	24,084
Corporate expenses	3,410	3,579
Depreciation and amortization	578	533
Gain on the disposal of assets	—	(9)
Impairment charges	43,583	—
Other operating expenses	80	40
Operating income (loss) from continuing operations	(37,620)	9,821
Other expenses:		
Interest expense, net	(8,053)	(8,077)
Income tax (benefit) expense	(6,856)	452
Income (loss) from continuing operations before discontinued operations	(38,817)	1,292
Income (loss) from discontinued operations, net of tax	6,278	(386)
Net income (loss)	$ (32,539)	$ 906

Overview

Our operating results were impacted by investments in our (i) unique Spanish-language programming talent and content for our terrestrial and digital properties, (ii) digital infrastructure and capabilities, personnel, and offerings, such as Digidea, our pure-play digital marketing department and (iii) $43.6 million of impairment losses. During the comparative prior period ended September 30, 2022, our operating results were impacted by the receipt of $2.3 million related to a 2020 business interruption insurance claim recognized as other revenue and political sales of $0.7 million.

Net Revenue from Continuing Operations

Net revenue from continuing operations decreased $3.0 million or 8%. The decrease was primarily due to other revenue, network, local, and digital sales, partially offset by increases in barter and national sales.

Operating Expenses

Operating expenses increased $0.9 million or 4% primarily due to increases in barter expense, compensation & benefits, cost of digital sales, and music license fees, partially offset by a decrease in advertising & promotions and the allowance for doubtful accounts.

Corporate Expenses

Corporate expenses decreased $0.2 million or 5% due to decreases in compensation & benefits and travel & entertainment, partially offset by increases in professional fees and outside services.

Impairment Charges

The non-cash impairment charges of $43.6 million, on most of our radio FCC broadcasting licenses, were driven primarily by certain risk associated with the current U.S. economy which caused changes to some key assumptions in the fair value calculations.

Operating Income (Loss) from Continuing Operations

The decrease in operating income from continuing operations of $47.4 million was primarily due to the non-cash impairment charges, the decrease in net revenue and an increase in operating expenses, partially offset by the decrease in corporate expenses.

Income Tax Benefit

The increase in income tax benefit of $7.3 million was primarily due to an increase in the pre-tax book loss compared to the prior year and the tax effect of the impairment charge to our FCC licenses that was recorded as a discrete item.

Income (Loss) from Continuing Operations Before Discontinued Operations

The loss from continuing operations of $38.8 million was primarily due to the decrease in operating income from continuing operations, partially offset by the increase in income tax benefit.

Income (Loss) from Discontinued Operations

The income from discontinued operations of $6.3 million was primarily due to the increase in the income tax benefit of $4.3 million, the recognition of the non-refundable television sale deposit of $2.9 million (net) due to the termination of the related purchase agreements and the decrease in operating expenses from discontinued operations, partially offset by the decrease in net revenue from discontinued operations.

Net Income (Loss)

The net loss of $32.5 million was primarily due to the decrease in operating income from continuing operations partially offset by the increases in income from discontinued operations and tax benefit from continuing operations.

Comparison Analysis of the Operating Results for the Nine Months Ended September 30, 2023 and 2022

The following summary table presents a comparison of our operating results for the nine months ended September 30, 2023 and 2022. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and related notes.

	Nine Months Ended September 30,	
	2023	2022
Net revenue from continuing operations	$ 105,001	$ 111,125
Operating expenses	78,206	74,085
Corporate expenses	10,735	12,086
Depreciation and amortization	1,703	1,476
(Gain) loss on the disposal of assets	104	(11)
Impairment charges	43,583	—
Other operating expenses	415	40
Operating income (loss) from continuing operations	(29,745)	23,449
Other expenses:		
Interest expense, net	(24,207)	(24,364)
Income tax benefit	(10,529)	(74)
Loss from continuing operations before discontinued operations	(43,423)	(841)
Loss from discontinued operations, net of tax	(259)	(2,504)
Net loss	$ (43,682)	$ (3,345)

Overview

Our operating results were impacted by our special events which had fewer show nights and events that led to lower ticket sales, local sponsorship revenue and event expenses, partially offset by the receipt of $1.3 million related to a 2020 business interruption insurance claim recognized as other revenue. Additionally, our operating expenses were impacted by investments in our (i) Orlando and Tampa start-up stations purchased on April 29, 2022, (ii) unique Spanish-language programming talent and content for our terrestrial and digital properties, (iii) digital infrastructure and capabilities, personnel, and offerings, such as Digidea, our pure-play digital marketing department and (iv) $43.6 million of impairment losses. During the comparative prior period ended September 30, 2022, our operating results were impacted by the receipt of $2.3 million related to a 2020 business interruption insurance claim recognized as other revenue and political sales of $1.1 million.

Net Revenue from Continuing Operations

Net revenue from continuing operations decreased $6.1 million or 6%. The decrease was primarily the result of lower special events revenue, local sales, other revenue, and digital sales, partially offset by increases in national and barter sales.

Operating Expenses

Operating expenses increased $4.1 million or 6% primarily due to increases in compensation & benefits, barter expense, music license fees, cost of digital sales, allowance for doubtful accounts, transmitter rent, rating services, and sales incentives, partially offset by decreases in special events expenses, advertising & promotions, and sales commissions.

Corporate Expenses

Corporate expenses decreased $1.4 million or 11% due to decreases in compensation & benefits and travel & entertainment, partially offset by increases in outside services and professional fees.

Impairment Charges

The non-cash impairment charges of $43.6 million, on most of our radio FCC broadcasting licenses, were driven primarily by certain risk associated with the current U.S. economy which caused changes to some key assumptions in the fair value calculations.

Operating Income (Loss) from Continuing Operations

The decrease in operating income from continuing operations of $53.2 million was primarily due to the non-cash impairment charges, the decrease in net revenue and an increase in operating expenses, partially offset by the decrease in corporate expenses.

Income Tax Benefit

The increase in income tax benefit of $10.4 million was primarily due to an increase in the pre-tax book loss compared to the prior year and the tax effect of the impairment charge to our FCC licenses that was recorded as a discrete item.

Income (Loss) from Continuing Operations Before Discontinued Operations

The loss from continuing operations of $43.4 million was primarily due to the decrease in operating income from continuing operations, partially offset by the increase in income tax benefit.

Loss from Discontinued Operations

The loss from discontinued operations of $0.3 million was primarily due to a decrease in the income tax benefit of $0.6 million, the recognition of the non-refundable television sale deposit of $2.9 million (net) due to the termination of the related purchase agreements and the decrease in operating expenses from discontinued operations, partially offset by the decrease in net revenue from discontinued operations.

Net Loss

The net loss of $43.7 million was primarily due to the decrease in operating income from continuing operations and loss from discontinued operations partially offset by the increase in income tax benefit from continuing operations.

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Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of September 30, 2023 and, as of the date of this Quarterly Financial Reporting Package, are as follows:

- Our senior secured asset-based revolving credit facility provides for borrowings of up to $15.0 million subject to compliance with a "borrowing base" and we are limited to $7.5 million based on our total leverage ratio calculation exceeding 9:00 to 1:00 and our fixed charge coverage ratio calculation being less than 1:05 to 1:00. The Company drew down $4.9 million on August 31, 2023 which bears interest of SOFR plus 2.25%. Subsequent to September 30, 2023, the Company repaid $3.4 million of the then outstanding balance and its current amount outstanding on the Revolver is $1.5 million.
- On September 20, 2023 the Company terminated the Purchase Agreements to sell substantially all its television and certain real estate assets to Voz Media, Inc. ("Voz Media") for $64.0 million because Voz Media did not cure its material breach to timely close on the transaction when notified by the Company. The Company had recorded $0.9 million of related legal fees and costs related to the transaction in "Prepaid expenses and other current assets" on its balance sheet. Upon termination of the Purchase Agreements, due to the buyer's material breach, the Company offset the buyer's $3.8 million non-refundable deposit with these costs and recognized the difference of $2.9 million as other operating income on its statements of operations which is within discontinued operations.

  The Company continues to pursue the sale of these television and real estate assets. There can be no assurance that the sale of these assets will be completed promptly or at all.
- On April 3, 2023, the Company entered into an asset purchase agreement to acquire an FM radio broadcast station serving the Houston, Texas radio market. The purchase price is equal to $7.5 million plus or minus certain customary prorations and adjustments. The Company and Sugarland Station Trust, LLC, (the trustee charged with the management and sale of KROI on behalf of Radio One) entered into an amendment to the Purchase Agreement (the "Amendment") providing the Company the right to delay the closing until a date that is no later than the first to occur of: (a) the date that is five business days prior to the last day that the FCC Consent is in effect, and (b) July 1, 2024. Also, as part of the Amendment, the Company agreed to release its deposit in escrow of $0.4 million and made a payment of $1.5 million and will make the following $1.0 million payments on January 16th, March 29th, April 30th and May 31st of 2024 to the seller which are applicable towards the purchase price. At closing, the Company will pay the remaining balance of $1.6 million.

Although we have access to our 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, listenership and viewership, demographics, audience tastes and fluctuations in preferred advertising media.

Our strategy is to primarily utilize our available cash to meet our ordinary 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:

- we will continue to successfully implement our business strategy,
- we will ultimately sell our television and related real estate assets,
- we will use our available cash 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.

We have evaluated and will continue to evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution, programming, and affiliation agreements to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. 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.

Series C Preferred Stock

As of September 30, 2023, we had 380,000 shares of Series C preferred outstanding. Raúl Alarcón, our Chairman of the Board and Chief Executive Officer, is 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.

Class A Common Stock

As of September 30, 2023, we had 6,209,446 shares of Class A common stock outstanding.

Class B Common Stock

As of September 30, 2023, we had 2,340,353 shares of Class B common stock outstanding, which have ten votes per share. Raúl Alarcón, 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 September 30, 2023, there were approximately 98 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 nine months ended September 30, 2023 and 2022, 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 unaudited condensed consolidated financial statements and accompanying notes.

	Nine Months Ended September 30,		Change
	2023	2022	$
Capital expenditures	$ 2,142	$ 3,316	(1,174)
Net cash flows provided by (used in) operating activities	$ (7,794)	$ 2,410	(10,204)
Net cash flows provided by (used in) investing activities	2,283	(15,591)	17,874
Net cash flows provided by financing activities	4,900	4,000	900
Net decrease in cash and cash equivalents	$ (611)	$ (9,181)	

Capital Expenditures

Changes in capital expenditure were mostly attributable to the current year reduction in transmitter equipment spending throughout most of our markets and decreases in startup costs related to the Orlando and Tampa radio stations as significant investments had been made in the prior year.

Net Cash Flows Provided by (Used In) Operating Activities

Changes in our net cash flows from operating activities were primarily the result of an increase in net loss and a decrease in working capital.

Net Cash Flows Provided by (Used In) Investing Activities

Changes in our net cash flows from investing activities were primarily the result of having acquired the Orlando and Tampa radio stations and related assets in 2022 for which a post-acquisition price adjustment of $1.0 million was subsequently applied to, the receipt of a $3.8 million non-refundable deposit associated with the recently terminated television segment and related real estate assets purchase agreements, and overall reductions in property and equipment purchases which were partially offset by an initial payment towards the acquisition of a FM radio station in Houston, TX.

Net Cash Flows Provided by Financing Activities

Changes in our net cash flows provided by financing activities were a result of having drawn $4.9 million on our available revolving credit facility as compared to $4.0 million in the prior year period.

Special Note Regarding Forward-Looking Statements

This Financial 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. and Subsidiaries 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 Financial Reporting Package. 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, 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: we are highly leveraged and our substantial level of indebtedness or the inability to access our senior secured asset-based revolving credit facility could adversely affect our financial condition, prevent us from fulfilling our financial obligations; impact our ability to invest in the growth of our business or continue as a going concern, cause us to explore the sale of additional assets or adversely impact our ability to acquire additional assets; our substantial debt could make us more vulnerable to downturns in our business or in the general economy and increases in interest rates may limit our ability to withstand competitive pressures and may reduce our flexibility in responding to changing business and economic conditions; we have experienced net losses and may continue to experience net losses in the future, which may impact our cash flow, our ability to fulfill our financial obligations and our ability to raise capital may be adversely affected; we may be unable to successfully refinance our indebtedness on commercially acceptable terms, or at all; we face risks relating to our NOL carry-forwards since they became subject to limitations under Section 382 of the Internal Revenue Code of 1986 (IRC) due to the recapitalization of the Company in 2021; we face risks relating to our ability to realize the anticipated synergies and growth as a result of our recent start-up acquisitions in the Orlando and Tampa markets; our ability to sell our Television assets for the same purchase price and on as favorable terms under the terminated transaction with Voz Media, or at all, and our ability to consummate the purchase of the FM Radio Station in Houston within the contemplated extended timeline, or at all, and our ability to realize the anticipated benefits/synergies of those transactions; 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 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 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 and talent 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 and Chief Executive Officer, 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 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 or the FCC's regulations and policies may have an adverse effect on our business or the cost with operating our business; proposed legislation would require radio broadcasters to pay increased 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; and new or changing federal, state or international privacy legislation or regulation could hinder the growth of our internet business. We do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances, except as required by law.