Year End Financial Reporting Package
For the year ended December 31, 2023

Spanish Broadcasting System, Inc.
and Subsidiaries

Delaware (State or other jurisdiction of incorporation or organization)	13-3827791 (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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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Spanish Broadcasting System, Inc. and Subsidiaries (the "Company"), which comprise the consolidated balance sheet as of December 31, 2023, and the related consolidated statements of operations, changes in stockholders' equity (deficit), and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Spanish Broadcasting System, Inc. and Subsidiaries as of December 31, 2023, and the consolidated results of their operations and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Prior Period Financial Statements

The consolidated financial statements of Spanish Broadcasting System, Inc. and Subsidiaries for the year ended December 31, 2022, were audited by another auditor who expressed an unmodified opinion on those statements on prior auditors' report date of April 25, 2023. As more fully described in Note 3 to the financial statements, the Company has adjusted its 2022 financial statements to retrospectively apply the change in accounting for discontinued operations. The other auditors reported on the financial statements before the retrospective adjustment.

As part of our audit of the 2023 financial statements, we also audited the adjustments to the 2022 financial statements to retrospectively apply the change in accounting as described in Note 3. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the Company's 2022 financial statements other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2022 financial statements as a whole.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the management's discussion and analysis of financial condition and results of operations but does not include the financial statements and our auditors' report thereon. Our opinion on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ EISNERAMPER LLP
Fort Lauderdale, Florida
May 29, 2024

FINANCIAL INFORMATION

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2023 and 2022
(In thousands, except share data)

	December 31, 2023	December 31, 2022
Assets		
Current assets:		
Cash	$ 6,167	$ 7,517
Receivables:		
Trade	40,560	44,805
Barter	233	312
	40,793	45,117
Less: allowance for expected credit losses	2,665	2,389
Net receivables	38,128	42,728
Prepaid expenses and other current assets	4,664	3,084
Assets held for sale	31,368	31,400
Total current assets	80,327	84,729
Property and equipment, net	9,283	8,824
FCC broadcasting licenses	248,805	293,388
Goodwill	32,806	32,806
Operating lease right-of-use assets	19,541	21,162
Other assets	774	706
Total assets	$ 391,536	$ 441,615
Liabilities and Stockholders' Equity (Deficit)		
Current liabilities:		
Accounts payable and accrued expenses	$ 24,639	$ 20,997
Accrued interest	10,166	10,540
Unearned revenue	2,404	1,310
Operating lease liabilities	1,364	1,018
Liabilities held for sale	1,082	1,091
Revolving credit facility	—	—
Other short term liabilities	46	46
Total current liabilities	39,701	35,002
Operating lease liabilities, net of current portion	21,283	22,546
9.75% senior secured notes due 2026, net of deferred financing costs of $4,054 at December 31, 2023 and $5,963 at December 31, 2022 (Note 8)	305,946	304,037
Deferred tax liabilities	43,164	58,169
Other liabilities, less current portion	3,793	3,766
Total liabilities	413,887	423,520
Stockholders' equity (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, 2023 and 2022	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 6,209,446 shares issued and outstanding at December 31, 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 December 31, 2023 and 2022	—	—
Additional paid-in capital	653,050	652,797
Accumulated deficit	(675,406)	(634,707)
Total stockholders' equity (deficit)	(22,351)	18,095
Total liabilities and stockholders' equity (deficit)	$ 391,536	$ 441,615

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Operations
Years Ended December 31, 2023 and 2022
(In thousands, except per share data)

	Year Ended December 31,	
	2023	2022
Net revenue from continuing operations	$ 147,330	$ 156,489
Operating expenses from continuing operations:		
Operating expenses	105,359	103,813
Corporate expenses	14,250	16,239
Depreciation and amortization	2,360	2,050
(Gain) loss on the disposal of assets	106	(363)
Impairment charges	43,583	—
Other operating expenses	359	40
Total operating expenses from continuing operations	166,017	121,779
Operating income (loss) from continuing operations	(18,687)	34,710
Other expenses from continuing operations:		
Interest expense, net	(32,347)	(32,449)
Income (loss) from continuing operations before income taxes	(51,034)	2,261
Income tax (benefit) expense	(12,552)	4,604
Loss from continuing operations	(38,482)	(2,343)
Loss from discontinued operations, net of taxes (Note 15)	(2,217)	(2,474)
Net loss	$ (40,699)	$ (4,817)
Class A weighted average common shares outstanding (Note 2(n))		
Basic and Diluted	6,091	5,042
Class B weighted average common shares outstanding (Note 2(n))		
Basic and Diluted	2,340	2,340
Series C (as converted) weighted average common shares outstanding (Note 2(n))		
Basic and Diluted	760	760
Class A, B and Series C (as converted) loss from continuing operations per common share (Note 2(n))		
Basic and Diluted	$ (4.19)	$ (0.29)
Class A, B and Series C (as converted) loss from discontinued operations per common share (Note 2(n))		
Basic and Diluted	$ (0.24)	$ (0.30)
Class A, B and Series C (as converted) net loss per common share (Note 2(n))		
Basic and Diluted	$ (4.43)	$ (0.59)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Equity (Deficit)

Years Ended December 31, 2023 and 2022

(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' equity (deficit)**
Balance at December 31, 2021	380,000	$ 4	5,041,878	$ 1	2,340,353	$ —	$ 652,544	$ (629,890)	$ 22,659
Stock-based compensation	—	—	—	—	—	—	253	—	253
Net loss	—	—	—	—	—	—	—	(4,817)	(4,817)
Balance at December 31, 2022	380,000	$ 4	5,041,878	$ 1	2,340,353	$ —	$ 652,797	$ (634,707)	$ 18,095
Issuance of class A common stock related to the Series B Settlement and Purchase Agreements (Note 9)	—	—	1,167,568	—	—	—	—	—	—
Stock-based compensation	—	—	—	—	—	—	253	—	253
Net loss	—	—	—	—	—	—	—	(40,699)	(40,699)
Balance at December 31, 2023	380,000	$ 4	6,209,446	$ 1	2,340,353	$ —	$ 653,050	$ (675,406)	$ (22,351)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Cash Flows
Years Ended December 31, 2023 and 2022
(In thousands)

	Year Ended December 31,	
	2023	2022
Cash flows from operating activities:		
Net loss	$ (40,699)	$ (4,817)
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	106	(16)
Gain on insurance proceeds received for damage to equipment	—	(437)
Stock-based compensation	253	253
Depreciation and amortization	2,360	3,373
Net barter income	(555)	(497)
Provision for expected credit losses	974	859
Amortization of deferred financing costs	1,909	1,909
Deferred income taxes	(15,005)	1,397
Unearned revenue-barter	685	261
Changes in operating assets and liabilities:		
Receivables- trade	3,547	4,181
Prepaid expenses and other current assets	295	5,300
Other assets	1,564	1,908
Accounts payable and accrued expenses	(172)	(5,132)
Accrued interest	(374)	146
Other liabilities	(269)	(963)
Net cash provided by (used in) operating activities	(1,798)	7,725
Cash flows from investing activities:		
Purchases of property and equipment	(2,481)	(4,663)
Deposit retention from terminated asset purchase agreements	3,800	—
Asset acquisition of radio stations and related assets	—	(12,663)
Post acquisition purchase price adjustment and prior year purchase of radio stations and related assets	1,000	—
Deposit for acquisition of radio station and related assets	(1,875)	—
Insurance proceeds received for damage to equipment	—	861
Proceeds from the sale of property and equipment	4	14
Net cash provided by (used in) investing activities	$ 448	$ (16,451)
Cash flows from financing activities:		
Proceeds from revolving credit facility	4,900	4,000
Repayment of revolving credit facility	(4,900)	(4,000)
Net cash provided by financing activities	$ —	$ —
Net decrease in cash	(1,350)	(8,726)
Cash at beginning of year	7,517	16,243
Cash at end of year	$ 6,167	$ 7,517
Supplemental cash flows information:		
Interest paid	$ 30,509	$ 30,389
Income tax paid with cash	$ 1,690	$ 5,986
Noncash assets (tax credits) used to offset income tax payable	$ —	$ 2,063

See accompanying notes to consolidated financial statements.

1. Organization and Nature of Business

All references to “we”, “us”, “our”, “SBS”, “our Company”, or “the Company” in this report mean Spanish Broadcasting System, Inc., a Delaware corporation, and all entities owned or controlled by Spanish Broadcasting System Inc. Spanish Broadcasting System, Inc., and its subsidiaries owns and/or operates radio stations in the Los Angeles, New York, Puerto Rico, Chicago, Miami, Orlando, Tampa and San Francisco 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. Additionally, we also provide digital marketing solutions through our pure-play digital marketing department, Digidea, to further access and connect to the digital realm. In addition, we produce live concerts and events in the United States and Puerto Rico.

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.

The accompanying consolidated financial statements as of December 31, 2023 and 2022 reflect data on the discontinued operations of our television segment, as applicable. See Note 15 for additional details on our television segment and its classification as discontinued operations.

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 May 29, 2024, the date the consolidated financial statements are available to be issued. Unless otherwise indicated, information in these notes to consolidated financial statements relates to continuing operations. Certain of our operations have been presented as discontinued. We present businesses whose disposal represents a strategic shift that has, or will have, a major effect on our operations and financial results as discontinued operations when the components meet the criteria for held for sale, are sold, or spun-off. See Note 15 for further information.

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(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 expected credit losses, we consider our history of write-offs, relationships with our customers, age of the invoices and the overall creditworthiness of our customers. We also consider customer-specific information, current market conditions, and reasonable and supportable forecasts of future economic conditions. For each of the years ended December 31, 2023 and 2022, the provision for credit losses was $1.0 million and $0.9 million, respectively.

(c) Property and Equipment

Property and equipment, including finance 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 6). 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 (loss).

(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. The weighted-average period before the next renewal of our FCC broadcasting licenses is 4.8 years.

We do not amortize our FCC broadcasting licenses. We test these indefinite-lived intangible assets for impairment at least annually, as of November 30th, 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. As of November 30, 2023 and 2022, we elected to bypass the qualitative assessment for impairment and perform quantitative impairment testing for all market clusters.

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 including 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.

During the third quarter 2023, 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 $43.6 million that reduced the carrying value of such FCC broadcasting licenses, see Note 17 for additional details regarding the FCC license impairment.

During the fourth quarter of 2023, 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, 2023. 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 2022, we performed qualitative assessments for our radio reporting unit. Based on our assessments it was determined that there were no triggering events that would indicate an impairment to goodwill. During 2023 we performed an annual impairment review of our goodwill as of December 31, 2023. Our impairment testing indicated that the estimated enterprise value of our radio reporting unit exceeded its carrying value. When evaluating our estimated enterprise value, we utilized an income approach which uses assumptions and estimates that include the aggregated expected revenues and operating margins generated by our FCC broadcasting licenses (i.e. our stations) and use of a risk adjusted discount rate. Based on our reviews it was determined that there was no impairment of goodwill for the years ended December 31, 2023 and 2022.

(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 12).

The Company has generated 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's intent is to use these tax credits to offset its future income tax liabilities in Puerto Rico. For the year ended December 31, 2023, the Company did not generate any tax credits from the production of programming content. 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 $1.3 million and $3.4 million during the years ended December 31, 2023 and 2022, 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 expected credit losses, 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 financial instruments, production tax credits, the assessment as to whether it is reasonably certain that we will exercise our options to extend lease terms when available, the present value of lease payments used to calculate our lease liabilities and related right-of-use assets which includes the use of estimated incremental borrowing rate ("IBR"), contingencies and litigation. These estimates and assumptions are based on management's best judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions as facts and circumstances dictate. Actual results could differ from these estimates.

(m) Concentration of Business and Credit Risks

Financial instruments that potentially subject us to concentrations of risk include primarily cash and trade receivables. 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. None of our cash balances in excess of federally insured limits are with any of the banks that recently experienced liquidity problems.

Our operations are conducted in several markets across the United States, including Puerto Rico. Our New York, Los Angeles, and Miami radio markets accounted for more than 65% of net revenue for the years ended December 31, 2023 and 2022. 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 expected credit losses based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount.

(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, 2023 and 2022 (in thousands, except per share data):

The accompanying consolidated financial statements as of December 31, 2023 and 2022 reflect data on the discontinued operations of our television segment, as applicable. See Note 14 for additional details on our television segment and its classification as discontinued operations.

	Twelve Months Ended December 31, 2023					
	2023			2022		
	Class A	Class B	Series C	Class A	Class B	Series C
Basic and Diluted net loss per share:						
Numerator						
Allocation of undistributed loss from continuing operations	$ (25,502)	$ (9,798)	$ (3,182)	$ (1,451)	$ (673)	$ (219)
Allocation of undistributed loss from discontinued operations	$ (1,469)	$ (565)	$ (183)	$ (1,532)	$ (711)	$ (231)
Allocation of undistributed net loss	$ (26,971)	$ (10,363)	$ (3,365)	$ (2,983)	$ (1,384)	$ (450)
Denominator						
Number of shares used in per share computation (as converted)	6,091	2,340	760	5,042	2,340	760
Basic and Diluted loss per share from continuing operations	$ (4.19)	$ (4.19)	$ (4.19)	$ (0.29)	$ (0.29)	$ (0.29)
Basic and Diluted loss per share from discontinued operations	$ (0.24)	$ (0.24)	$ (0.24)	$ (0.30)	$ (0.30)	$ (0.30)
Basic and Diluted net loss per share	$ (4.43)	$ (4.43)	$ (4.43)	$ (0.59)	$ (0.59)	$ (0.59)
Common stock equivalents excluded from calculation of diluted net loss per share as the effect would have been anti-dilutive:	497	—	—	518	—	—

In conjunction with the settlement of the Series B Preferred Stock, the Company reserved 1,939,365 (adjusted for fractional shares) shares of its Class A common stock. As of December 31, 2023 and 2022, the Company had issued 1,939,365 and 771,797 shares of Class A common stock, respectively, to the Settling Series B Preferred Holders in accordance with the terms and conditions of the Series B Purchase Agreement (Note 9).

(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. 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, 2023 and 2022 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 exercise that option, as well as that it is also reasonably certain that the lessor would not preclude the Company from doing so. The lease liabilities and the related right-of-use assets are calculated based on the present value of the lease payments using the lessee's incremental borrowing rate ("IBR"), if the rate is not defined in the contract. IBR is defined as the rate of interest that the Company would have to pay to borrow an amount equal to the lease payments, on a collateralized basis, over a similar term.

(r) Deferred Financing Costs

Deferred financing costs relates to our 9.75% Senior Secured Notes due 2026 (see Note 7) and are reflected as a direct carrying amount of the related long-term debt. Deferred financing costs are being amortized to interest expense over the term of the related debt using the effective interest method.

3. Assets Held for Sale & Discontinued Operations

The Company has reclassified its previously issued 2022 consolidated financial statements for matters related to the following previously reported items: property and equipment, FCC broadcasting licenses, operating leases, other asset, net revenue, operating expenses, and income tax expense. See Note 15 for additional details on our television segment and its classification as discontinued operations.

The effect on the Company's previously issued 2022 consolidated financial statements is summarized as follows:

Balance sheet as of December 31, 2022 (in thousands).

	Previously Reported	Increase/ (Decrease)	Reclassified Balance
Assets			
Property and equipment, net	$ 23,052	$ (14,228)	$ 8,824
FCC broadcasting licenses	309,537	(16,149)	293,388
Operating lease right-of-use asssets	22,083	(921)	21,162
Other assets	808	(102)	706
Assets held for sale	—	31,400	31,400
Liabilities			
Operating lease liabilities	$ 1,085	$ (67)	$ 1,018
Operating lease liabilities - net of current portion	23,570	(1,024)	22,546
Liabilities held for sale	—	1,091	1,091

Statement of operations for the year ended December 31, 2022 (in thousands).

	Previously Reported	Increase/ (Decrease)	Reclassified Balance
Net revenue	$ 168,032	$ (11,543)	$ 156,489
Operating expenses			
Engineering and programming	38,022	(38,022)	—
Selling, general and administrative	80,498	(80,498)	-
Operating expenses	—	103,813	103,813
Depreciation and amortization	3,373	(1,323)	2,050
Gain on the disposal of assets	(453)	90	(363)
Income tax expense	2,681	1,923	4,604
Loss from continuing operations	(4,817)	2,474	(2,343)
Loss from discontinued operations, net of taxes	—	(2,474)	(2,474)

4. 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 years ended December 31, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	2022
Local, national, digital and network	$ 149,768	$ 156,700
Special events	8,067	11,961
Barter	7,159	5,879
Other	2,268	3,328
Gross revenue	167,262	177,868
Less: Agency commissions	19,932	21,379
Net revenue	$ 147,330	$ 156,489

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 years ended December 31, 2023 and 2022, barter revenue of $7.2 million and $5.9 million was offset by barter expense of $6.6 million and $4.8 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 years ended December 31, 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

As of December 31, 2023, 2022 and 2021, unearned revenue balances were $2.6 million, $1.6 million and $2.1 million, respectively, which are included in unearned revenue and other liabilities, net of current portion.

Variable consideration in the form of agency-based volume discounts of $1.6 million, $1.5 million and $1.4 million were recognized and recorded as contract liabilities within accounts payable and accrued expenses as of December 31, 2023, 2022 and 2021, 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.

5. 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 2024 and 2082, most of which include options to extend or renew the leases. Currently, we do not have finance leases. 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, 2023 and 2022 (in thousands):

	Year Ended December 31,	
	2023	2022
Operating lease cost	$ 4,659	$ 4,370
Sublease income	(84)	(41)
Total lease cost	$ 4,575	$ 4,329

At December 31, 2023 and 2022, amounts reported in the Consolidated Balance Sheets, are as follows (in thousands):

	Year Ended December 31,	
	2023	2022
Operating Leases:		
Operating lease right-of-use assets	$ 19,541	$ 21,162
Operating lease liabilities - current	$ 1,364	$ 1,018
Operating lease liabilities - net of current portion	21,283	22,546
Total operating lease liabilities	$ 22,647	$ 23,564
Other information:		
Operating cash flows from operating leases	$ 4,014	$ 3,541
Right-of-use assets obtained in exchange for new lease liabilities	$ —	$ 4,020
Weighted-average remaining lease term	14.8 years	15.2 years
Weighted average discount rate	13.0%	12.9%

Future minimum lease payments under operating leases as of December 31, 2023 are as follows (in thousands):

Year ending December 31:	
2024	$ 4,185
2025	4,196
2026	4,151
2027	4,075
2028	2,651
Thereafter	42,739
Total undiscounted lease payments	61,997
Less: imputed interest	39,350
Total lease liabilities	$ 22,647

We have agreements to sublease our radio frequencies and portions of our tower sites and buildings. Such agreements provide for payments through 2027. Future minimum rental income to be received under these agreements as of December 31, 2023 is as follows (in thousands):

Year ending December 31:	
2024	$ 357
2025	40
2026	41
2027	21
Total undiscounted lease payments	$ 459

6. Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2023 and 2022 (in thousands):

	2023	2022	Estimated useful lives
Building and building improvements	$ 941	$ 802	7–20 years
Tower and antenna systems	4,728	4,770	10 years
Studio and technical equipment	10,024	9,708	5–10 years
Furniture and fixtures	1,759	1,668	5–10 years
Transmitter equipment	9,790	9,836	10 years
Leasehold improvements	3,392	3,223	1–20 years
Computer equipment and software	11,604	10,663	3–5 years
Other	2,972	2,680	3–5 years
	45,210	43,350	
Less accumulated depreciation and amortization	(35,927)	(34,526)	
	$ 9,283	$ 8,824	

During the years ended December 31, 2023 and 2022, depreciation and amortization of property and equipment totaled $2.4 million and $2.1 million, respectively.

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses at December 31, 2023 and 2022 consist of the following (in thousands):

	2023	2022
Accounts payable – trade	$ 3,986	$ 2,523
Accrued compensation and commissions	6,395	6,919
Accrued professional fees	1,985	1,285
Accrued music license fees	737	785
Accrued rating service	2,091	1,334
Accrued rent, property and real estate taxes	503	343
Accrued income and franchise tax	1,317	604
Accrued contract liabilities	1,612	1,516
Other accrued expenses	6,013	5,688
	$ 24,639	$ 20,997

8. $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. 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 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 December 31, 2023, the Company had no events of default under the Indenture. Subsequent to year end, the Company did not timely furnish, to the Trustee and the holders of the Notes, its 2023 annual financial statements, together with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and an opinion on the annual financial statements as required by the Indenture; however, there was no event of default as the Company furnished such information and opinion during the cure period.

The Company incurred $32.1 million and $32.3 million in interest expense for the years ended December 31, 2023 and 2022, respectively, related to the Notes.

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. As of December 31, 2023, we have no outstanding borrowings against the Revolver. If necessary, we intend to use borrowings under the Revolver to finance working capital needs and other general corporate purposes.

In 2023, the Company amended its Revolver to replace LIBOR with the Secured Overnight Financing Rate (SOFR). 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.

At December 31, 2023, the Company had no events of default under the Revolver. Subsequent to year end, the Company did not timely furnish, to the Administrative Agent and Guarantors, its consolidated balance sheet as of the end of the fiscal year ending December 31, 2023, the related consolidated statements of operations, changes in stockholders’ equity (deficit), and cash flows, audited and accompanied by (i) a Narrative Report with respect thereto and (ii) a report and opinion of an independent certified public accountant; however, there was no event of default as the Company furnished such information and opinion during the cure period.

The Company incurred $0.1 million in interest expense for the years ended December 31, 2023 and 2022, related to the Revolver.

9. Gain and issuance of Class A common stock related to the Series B Settlement and Purchase Agreement

On February 5, 2021, the Company entered into the Series B Settlement Agreement and Series B Purchase Agreement with holders owning 85,265 shares, or 94.16%, of our Series B Preferred Stock (the “Selling Series B Preferred Holders”). Pursuant to the Series B Settlement Agreement, we, together with the Selling Series B Preferred Holders, agreed to fully resolve and settle 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 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 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 shares subject to receipt of appropriate certifications and/or requisite regulatory approval. As of December 31, 2021, the Company had issued 771,797 shares of the reserved Class A common stock to various Settling Series B Preferred Holders in accordance with the terms and conditions of the Series B Purchase Agreement. The remaining 1,167,568 reserved shares were issued on February 7, 2023.

The Company recognized a gain of $118.7 million on settlement with the Series B shareholders as an increase to additional paid in capital as the transaction was in essence a capital transaction with equity holders (both before and after the settlement). The Company analogized troubled debt restructuring accounting guidance to calculate the gain on the repurchased Series B preferred stock. The following table summarizes the calculation of the recognized gain as of December 31, 2021 (in thousands):

	December 31, 2021
Series B Carrying Value of Selling Group	$ 184,618
Less: fair value of equity securitues granted	7,660
Net carrying value	$ 176,958
Less: current year cash payments, including direct expenses	57,862
Less: prior year cash payments, including direct expenses	405
Gain on repurchase of Selling Series B preferred stock	$ 118,691

10. 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 stockholders have the same voting rights and powers as our Class A common stock on an as-converted basis, subject to certain adjustments.

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 shareholder's rights plan.

Mr. 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.

(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 is 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 authorized up to 350,000 shares of our Class A common stock for issuance, subject to adjustment in certain circumstances. The Omnibus Plan provided 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 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 vested over a three-year period and have a ten-year term commencing on their vesting dates. In November 2021, the Company also issued options to purchase 50,000 shares of the Company's Class A Common Stock to each of four independent board members. The 2021 options vest over a four-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 issued as non-qualified stock options.

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, 2023 and 2022 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, 2023 and 2022, share-based compensation totaled $0.3 million each year.

As of December 31, 2023, there was $0.5 million of total unrecognized compensation costs related to nonvested stock-based compensation arrangements granted. The cost is expected to be recognized over a weighted average period of approximately 1.9 years.

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, 2023 and 2022, there were no stock options exercised.

Valuation Assumptions

We calculate 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 during 2023 and 2022.

Stock Options

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, 2023 and 2022, and changes during the years ended December 31, 2023 and 2022, 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, 2021	535	$ 3.47		
Granted	—			
Exercised	—			
Forfeited	(10)	3.54		
Outstanding at December 31, 2022	525	$ 3.46		
Granted	—			
Exercised	—			
Forfeited	(10)	4.05		
Outstanding at December 31, 2023	515	$ 3.45	$ 38,325	5.0
Exercisable at December 31, 2023	415	$ 3.06	$ 38,325	4.3

The following table summarizes information about our stock options outstanding and exercisable at December 31, 2023 (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	75	—	$ 0.22	6.6	75	$ 0.22
1.00 - 1.99	—	—	—	—	—	—
2.00 - 2.99	—	—	—	—	—	—
3.00 - 4.99	240	—	3.09	2.1	240	3.08
5.00 - 9.99	100	100	5.10	7.9	100	5.10
	415	100	$ 3.45	5.0	415	$ 3.06

11. Commitments and Contingencies

(a) Employment and Service Agreements

At December 31, 2023, we are committed to employment and service contracts for certain executives, on-air talent, general managers, and others expiring through 2028. Future payments under such contracts are as follows (in thousands):

Year ending December 31:	
2024	$ 15,424
2025	9,955
2026	4,621
2027	3,229
2028	2,455
Thereafter	—
	$ 35,684

(b) Other Commitments

At December 31, 2023, 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 expiring through 2028. Future payments under such commitments are as follows (in thousands):

Year ending December 31:	
2024	$ 12,246
2025	8,522
2026	8,253
2027	8,151
2028	63
	$ 37,235

(c) 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 the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition.

12. Income Taxes

Total income tax (benefit) expense, from continuing operations, for the years ended December 31, 2023 and 2022 were as follows (in thousands):

	2023	2022
Income tax (benefit) expense	$ (12,552)	$ 4,604

For the years ended December 31, 2023 and 2022, income (loss) before income tax (benefit) expense consists of the following (in thousands):

	2023	2022
U.S. operations	$ (51,827)	$ 1,426
Foreign operations	793	835
	$ (51,034)	$ 2,261

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, 2023 and 2022 (in thousands):

	2023	2022
Current:		
Federal	$ 1,728	$ 1,708
State and local, net of federal income tax benefit	635	1,918
Foreign	417	180
	2,780	3,806
Deferred:		
Federal	(11,215)	(1,976)
State and local, net of federal income tax benefit	(4,611)	182
Foreign	494	2,592
	(15,332)	798
Total income tax expense (benefit) from continuing operations	$ (12,552)	$ 4,604

For the years ended December 31, 2023 and 2022, there were no Puerto Rico NOL carry-forwards utilized. For the years ended December 31, 2023 and 2022, $5.2 million and $5.0 million, respectively, of federal NOL carry-forwards were utilized. Puerto Rico film tax credits of approximately $1.1 million and $0.9 million were also utilized during the years ended December 31, 2023 and 2022, respectively. Additionally, during the years ended December 31, 2023 and 2022, the Company sold $0.0 million and $2.0 million of Puerto Rico film tax credits to third parties.

The tax effect of temporary differences and carry-forwards that give rise to deferred tax assets and deferred tax liabilities at December 31, 2023 and 2022 are as follows (in thousands):

	2023	2022
Deferred tax assets:		
Federal and state NOL carry-forwards	$ 17,549	$ 18,622
Foreign NOL carry-forwards	2,247	3,048
FCC licenses	3,095	6,812
Allowance for expected credit losses	3,143	2,657
Unearned revenue	749	431
AMT credit	1,248	1,342
Interest disallowance	25,405	19,829
Property and equipment	250	647
Accrued foreign withholding	3,412	3,233
Production costs	6,492	6,316
Stock-based compensation	277	204
Intercompany expenses	12,776	11,612
Accrued Vacation/Bonus/Payroll	694	793
Right of use liability	6,894	7,250
Puerto Rico film credits	—	1,649
Other	3,804	3,059
Total gross deferred tax assets	88,035	87,504
Less valuation allowance	(54,130)	(55,587)
Net deferred tax assets	33,905	31,917
Deferred tax liabilities:		
FCC licenses and goodwill	(71,129)	(83,591)
Right of use asset	(5,940)	(6,495)
Total gross deferred tax liabilities	(77,069)	(90,086)
Net deferred tax liability	$ (43,164)	$ (58,169)

The net change in the total valuation allowance for the year ended December 31, 2023 was a decrease of $1.5 million. The valuation allowance at 2023 and 2022 was primarily related to domestic and foreign net operating loss and interest disallowance carry-forwards. In 2023, the overall decrease in the valuation allowance was a result of expiration of Puerto Rico net operating losses and amortization of the Puerto Rico FCC Licenses.

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, 2023, the valuation allowance is comprised of $32.0 million in the U.S. and $22.1 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 net operating losses and a portion of the post reform interest disallowance. 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, 2023, we have federal, state and Puerto Rico NOL carry-forwards available of approximately $41.4 million, $139.3 million and $13.8 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 2024 through 2037.

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, 2023 and 2022, as a result of the following:

	2023		2022	
Statutory rate	21.0	%	21.0	%
State taxes, net of federal benefit	8.7		(186.5)	
Foreign tax differential	(0.2)		6.1	
Prior year adjustment	0.1		20.7	
Current year change in valuation allowance	2.9		179.2	
Nondeductible expenses	—		0.7	
Expiration of NOLs	(4.5)		76.2	
Puerto Rico Discontinued Operations Expense	1.2		41.4	
US GILTI tax inclusion	—		11.7	
Meals and entertainment disallowance	—		4.0	
Puerto Rico management fee	(0.5)		8.6	
Puerto Rico credits sold	—		4.4	
Parking disallowance	(0.1)		1.3	
Foreign-derived intangible income deduction	0.1		(2.1)	
Change in effective rate	0.1		38.0	
Return to provision	(3.8)		(32.5)	
Puerto Rico withholding taxes	(0.4)		8.0	
Puerto Rico alternative minimum tax	0.2		4.2	
Other	(0.2)		(0.8)	
	24.6	%	203.6	%

The 2021 ownership change impacts the Company's NOL, 163(j) and valuation allowance. Net operating losses and 163(j) carryovers are limited which limits the future realizability of those assets, therefore a valuation allowance has been maintained against those assets.

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, California, Illinois, Texas and Puerto Rico are the major tax jurisdictions in which 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 2020 through 2023. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2015 through 2023.

For the years ended December 31, 2023 and 2022, 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, 2020 through December 31, 2022, which are the tax years that remain subject to examination by the tax jurisdictions as of December 31, 2023. We do not expect any unrecognized tax benefits to significantly change over the next twelve months.

13. Fair Value of Financial Instruments

Cash, 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 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 (in millions):

		December 31, 2023		December 31, 2022	
Description	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
9.75% senior secured notes due 2026 (Note 8)	Level 2	$ 310.0	$ 180.5	$ 310.0	$ 178.7

14. 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.

15. 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 $1.1 million of related legal fees and costs related to the transaction and once the Purchase Agreements were terminated, 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 $2.7 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 recovered monetary damages against the plaintiffs subsequent to December 31, 2023.

The Company continues to pursue the sale of these television and real estate assets. The Company expects the assets to be sold within one year.

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 these financial statements.

The table below represents a summary of the assets and liabilities classified as held for sale as of December 31, 2023 and 2022 on the Company's Consolidated Balance Sheet (in thousands).

	December 31,	
	2023	2022
Assets		
Property and equipment, net	$ 14,207	$ 14,228
FCC broadcasting licenses	16,149	16,149
Operating lease right-of-use-assets	910	921
Other assets	102	102
Assets held for sale	$ 31,368	$ 31,400
Liabilities		
Operating lease liabilities	$ 210	$ 67
Operating lease liabilities, net of current portion	872	1,024
Liabilities held for sale	$ 1,082	$ 1,091

During the years ended December 31, 2023 and 2022, the Company made capital expenditures of $0.2 million and $0.6 million, respectively. Capital expenditures incurred during the years ended December 31, 2023 and 2022 are included in assets held for sale for the years ended December 31, 2023 and 2022, 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 Consolidated Statements of Operations.

The table below represents the amounts classified as discontinued operations during the years ended December 31, 2023 and 2022 on the Company's Consolidated Statements of Operations (in thousands).

	Year Ended December 31,	
	2023	2022
Net revenue from discontinued operations	$ 7,319	$ 11,543
Operating expenses from discontinued operations:		
Operating expenses	11,943	14,707
Depreciation and amortization	112	1,323
Gain on the disposal of assets	—	(90)
Other operating (income) loss	(2,687)	—
Operating loss from discontinued operations	(2,049)	(4,397)
Other expenses from discontinued operations:		
Interest expense	(61)	—
Pre-tax loss from discontinued operations	(2,110)	(4,397)
Income tax (benefit) expense	107	(1,923)
Loss from discontinued operations	$ (2,217)	$ (2,474)

16. Acquisition of FM Radio Stations

On February 10, 2022, the Company entered into an asset purchase agreement (the "Purchase Agreement") to acquire WPYO(FM) and WSUN(FM), two FM radio broadcast stations (together the "Radio Stations") serving the Orlando and Tampa radio markets, from CXR Radio LLC as divestiture trustee and COX Radio LLC. The stations were held in trust by CXR Radio as a result of a divestiture trust mandate by the Federal Communications Commission (the "FCC"), which arose from FCC ownership limitations and the sale of Cox Radio in 2019. Pursuant to the Purchase Agreement, Cox Radio, which supported the trust's operation of the Radio Stations, conveyed certain assets, including licenses, permits and authorizations issued by the FCC, leases and contracts used in or related to the operation of the Radio Stations to the Company as part of the transaction.

On April 29, 2022, the Company closed on the purchase of the Radio Stations and paid an aggregate purchase price including transaction costs equal to $12.7 million consisting of (i) cash in the amount of $11.45 million and (ii) the release of $1.25 million of escrowed funds to the seller which were funded on February 14, 2022.

In accordance with ASC 805 Business Combinations, the Company must determine whether a transaction or event that results in an entity obtaining control of a set of net assets meets the definition of a business. Based on the Company's evaluation, it was concluded that the acquired set of assets did not meet the definition of a business and was accounted for as an acquisition of assets.

The total purchase price of $12.7 million consisted of $12.4 million of FCC licenses and $0.3 million of property, plant, and equipment. During the year ended December 31, 2023, there was a $1.0 million adjustment reducing the prior year station acquisition price of the FCC licenses from $12.4 million to $11.4 million.

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 in 2023. Under the amendment the Company also made $1.0 million payments on January 16th, March 29th, and April 30th of 2024 to the seller which are applicable towards the purchase price. There remains another $1.0 million payment scheduled for May 31, 2024 and, at closing, the Company will pay the remaining balance of $1.6 million. Payments made to the seller are classified as prepaid expenses and other current assets on the Company's December 31, 2023 Consolidated Balance Sheet.

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

17. 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 third quarter 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. During the fourth quarter of 2023, the Company performed its annual impairment test and concluded that there were no further impairments.

18. Related Party Transaction

(a) Local Marketing and Programming Agreements

On April 9, 2021, the Company 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 broadcast certain agreed upon programming provided by the Company on FM translator W292GE serving Miami, Florida (“the LMA Station”). The Company 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 commenced on April 10, 2021, for one year, through April 9, 2022 and renews for subsequent one-year terms unless earlier terminated by the parties. On April 9, 2024, the LMA renewed for an additional one-year term to April 9, 2025.

On April 23, 2021, the Company entered into a local programming and marketing agreement with South Broadcasting. Pursuant to the agreement, South Broadcasting agrees to broadcast certain agreed upon programming provided by the Company on WMFM(FM) and WRAZ(FM) serving Key West, Florida and Leisure City, Florida. The Company is required to pay the operating costs of the stations and in exchange, we retain all revenues from the sale of the commercial advertising time inventory. The agreement commenced on April 23, 2021 through March 31, 2022 and renews for subsequent one-year terms unless earlier terminated by the parties. On March 31, 2024, the agreement renewed for an additional one-year term to March 31, 2025.

As neither the LMA or the programming and marketing agreements between South Broadcasting and the Company have been terminated by either party and have continued to renew, South Broadcasting continues to broadcast the Company’s programming on its stations and the Company has continued to pay for the operating costs of the stations. During the years ended December 31, 2023 and 2022, the Company recognized expenses of $0.3 million and $0.4 million, respectively, related to the operating costs of the two stations.

(b) Certain Relationships

Alessandra Alarcón, the daughter of Raúl Alarcón, our Chief Executive Officer, is employed by the Company as President of SBS Entertainment. Ms. Alarcón’s total compensation paid during the fiscal years 2023 and 2022 was $0.4 million and $0.5 million. respectively.

Bianca Alarcón, the daughter of Raúl Alarcón, our Chief Executive Officer, is employed by the Company as Vice President of Content Development. Ms. Alarcón’s total compensation paid during the fiscal years 2023 and 2022 was $0.2 million.

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 December 31, 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 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 years ended December 31, 2023 and 2022, local and digital revenue comprised 65% of our gross revenues.

- 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 years ended December 31, 2023 and 2022, national and network revenue comprised 25% and 24% 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 years ended December 31, 2023 and 2022, special events revenue comprised 5% and 6% 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 years ended December 31, 2023 and 2022, barter revenue comprised 4% of our gross revenues.
- *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 years ended December 31, 2023 and 2022, other revenue comprised 1% and 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 expected credit losses, 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.

Year Ended 2023 Compared to Year Ended 2022

The following summary table presents a comparison of our operating results for the years ended December 31, 2023 and 2022 (in thousands). Operational and financial results related to the held for sale assets of the television segment, have been reclassified from continuing operations to discontinued operations in the prior year. 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,	
	2023	2022
Net revenue from continuing operations	$ 147,330	$ 156,489
Operating expenses	105,359	103,813
Corporate expenses	14,250	16,239
Depreciation and amortization	2,360	2,050
(Gain) loss on the disposal of assets	106	(363)
Impairment charges	43,583	—
Other operating expenses	359	40
Operating income (loss) from continuing operations	(18,687)	34,710
Other expenses:		
Interest expense, net	(32,347)	(32,449)
Income (loss) from continuing operations before income taxes	(51,034)	2,261
Income tax (benefit) expense	(12,552)	4,604
Loss from continuing operations	(38,482)	(2,343)
Loss from discontinued operations, net of tax	(2,217)	(2,474)
Net loss	$ (40,699)	$ (4,817)

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 December 31, 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 $2.8 million.

Net Revenue from Continuing Operations

Net revenue from continuing operations decreased $9.2 million or 6%. The decrease was primarily the result of lower special events and other revenue, local, national, and digital sales, partially offset by increases in barter sales.

Operating Expenses

Operating expenses increased $1.5 million or 1% primarily due to increases in compensation & benefits, barter expense, music license fees, cost of digital sales, allowance for expected credit losses, transmitter rent, and rating services, partially offset by decreases in special events expenses, advertising & promotions, and sales commissions.

Corporate Expenses

Corporate expenses decreased $2.0 million or 12% 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 $53.4 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 (Loss) from Continuing Operations Before Income Taxes

The loss from continuing operations of $51.0 million was due to the decrease in operating income from continuing operations.

Income Tax (Benefit) Expense

The 2023 income tax benefit of $12.6 million compared to the tax expense in 2022 was primarily due to the pre-tax book loss and the tax effect of the impairment charge related to our FCC licenses.

Loss from Continuing Operations

The loss from continuing operations of $38.5 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, Net of Tax

The loss from discontinued operations of $2.2 million was primarily due to 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 $40.7 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.

Liquidity and Capital Resources

The most important aspects of our liquidity and capital resources as of December 31, 2023 and, as of the date of this Year End Financial Reporting Package, are as follows:

- Our undrawn senior secured asset-based revolving credit facility provides for borrowings of up to $15.0 million and is currently limited to $7.5 million as discussed in Note 8b. We intend to use this to finance working capital needs and other general corporate purposes, as necessary. The revolving credit facility matures on February 17, 2025.
- 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 $1.1 million of related legal fees and costs related to the transaction and once the Purchase Agreements were terminated, 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 $2.7 million as other operating income on its statements of operations which is within discontinued operations. Additionally, 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. and recovered monetary damages against the plaintiffs subsequent to December 31, 2023.

  The Company continues to pursue the sale of these television and real estate assets. The Company expects the assets to be sold within one year.
- 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 in 2023. Under the amendment the Company also made $1.0 million payments on January 16th, March 29th, and April 30th of 2024 to the seller which are applicable towards the purchase price. There remains another $1.0 million payment scheduled for May 31, 2024 and, 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. 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 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 December 31, 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 December 31, 2023, we had 6,209,446 shares of Class A common stock outstanding.

Class B Common Stock

As of December 31, 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 December 31, 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 years ended December 31, 2023 and 2022 (in thousands), 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,		Change
	2023	2022	$
Capital expenditures	$ 2,481	$ 4,663	(2,182)
Net cash flows provided by (used in) operating activities	$ (1,798)	$ 7,725	(9,523)
Net cash flows provided by (used in) investing activities	448	(16,451)	16,899
Net cash flows provided by financing activities	—	—	—
Net decrease in cash and cash equivalents	$ (1,350)	$ (8,726)	

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 deposit payments 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 and having repaid each prior to years ended December 31, 2023 and 2022, respectively.

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.