UNITED STATES

Table of Contents

Special Note Regarding Forward-Looking Statements

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

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

“Forward-looking” statements, as such term is defined by the Securities Exchange Commission (the “Commission”) in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, our recapitalization and restructuring efforts, the impact of widespread health developments, such as the novel coronavirus, and the governmental, commercial, consumer and other responses thereto, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “forecast,” “seek,” “plan,” “predict,” “project,” “could,” “estimate,” “might,” “continue,” “seeking” or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including, but not limited to, those identified in “Item 1A. Risk Factors” in this Annual Report. All forward-looking statements made herein are qualified by these cautionary statements and risk factors and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized.

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

PART I

Item 1. Business

Our Company

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

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

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

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

Our Strategy

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

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

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

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

***Maintain Strong Community Involvement*.** We have been, and will continue to be, actively involved in the local communities

Our Strengths

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

Strong Portfolio of Branded Media Franchises. Because of our history with Hispanic-focused media, we believe that we have been able to develop strong relationships with the Hispanic audiences in our markets and create strong brand loyalty. Our listeners enjoy music from popular and emerging artists as well as updated local information on weather, news and general entertainment. Our basis. Since 2017, we have used the proceeds from certain real estate sales and a portion of the proceeds from the sale of our Puerto Rico television spectrum to repay a portion of the Notes.

any violations of the Communications Act and our Charter resulting from that ownership did not adversely affect our FCC broadcast licenses and ability to continue our business operations. Accordingly, on November 28, 2017, consistent with our obligations and authority provided to us under the Communications Act and by Article X of our Charter, we notified holders of our Series B Preferred Stock that we were suspending all rights, effective immediately, of the holders of the Series B preferred stock, other than their right to transfer their shares to a citizen of the United States. We added that such suspension of rights would remain in place with respect to each holder of the Series B preferred stock until we had concluded that (1) the shares of such holder should be treated as not owned by

Operating Segments

We report two operating segments: radio and television.

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

Radio Overview

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

Radio market revenue rank	Our radio Designated Market Area (DMA)	2019 market radio over-the-air estimated gross revenues (in millions)	2018 Hispanic population in market (in millions)	2018 total population in radio market (in millions)	Percentage of total market population that is Hispanic	Percentage of total U.S. Hispanic population
1						

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

Owned and Operated Radio Station Programming

We format the programming of each of our radio stations to target a substantial share of the U.S. Hispanic audience in its respective market. The U.S. Hispanic population is diverse, consisting of numerous identifiable groups from many different countries of origin and each with its own musical and cultural heritage. The music, culture, customs and Spanish dialects vary from one radio market to another. We strive to become very familiar with the musical tastes and preferences of each of the various Hispanic ethnic

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

Owned and Operated

Market	# of stations	# of formats	FM Station ID	Frequency	Station Name	Format	Target buying demographic group by age
Los Angeles	2						

- ***Prime Family Weekend Network (Hispanic Adults 18-49, Sat & Sun 6am-12mid)***. The Prime Family Weekend Network targets Hispanic families in the top markets with disposable incomes and a full range of programming services including hourly news, sports and entertainment features. The Prime Family Weekend Network dominates with Tropical/AC, Regional Mexican, Spanish CHR/Hits formats, and is concentrated in top markets reaching families during the busy weekend.
- ***Entertainment Weekend Network (Hispanic Adults 18-49, Sat & Sun 6am-12mid)***. The Entertainment Weekend Network delivers the coveted 18-49 Demographic, reaching Hispanic Adults through entertainment features, celebrity interviews, music countdowns and specialty segments, which include fitness and financial tips amongst others. The Entertainment Weekend Network dominates with Regional Mexican, Spanish CHR/Hits formats, and is concentrated in top markets.
- ***El Terrible M92Spanish CHR/Hits formats, and is concentrated in top markets reaching families during the busy weekend.***
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It is customary in the radio, television, and interactive industry that the majority of advertising contracts with our advertisers are short-term and generally run for less than three months. This affords broadcasters the opportunity to modify advertising rates as dictated by changes in audience ratings, changes in competitive dynamics and changes in the business climate within a particular market. In each of our broadcasting markets, we employ sales personnel to obtain local advertising revenue. Our local sales force is digital bandwidth to third parties, thereby providing new business opportunities for radio broadcasters. We currently utilize HD Radio ® digital technology on some of our stations and will evaluate additional installations over the next few years.

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

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

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

Trademarks, Copyrights and Licenses

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

Environmental Matters

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

Federal Regulation of Radio and Television Broadcasting

General

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

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

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

FCC Licenses

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

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

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

(1) TV Station WSBS-DT is licensed to Key West and is part of the Miami DMA (designated market area, as defined by Nielsen Media Research).

(2) TV Station KTBU-DT is licensed to Conroe, Texas and is part of the Houston DMA. The Company sold the FCC license and certain assets related to the transmission of its KTBU-DT signal on March 23, 2020.

(3) TV Stations WVEO-DT and WVOZ-DT are operated as satellites of TV Station WTCV-DT pursuant to a satellite waiver.

(4) WTCV-DT has moved from CH. 32 to CH. 21 and is now operating pursuant to a Channel Sharing Agreement with Station WJPX, San Juan, PR. WVOZ-DT has moved from CH. 47 to CH. 36 and is now operating pursuant to a Channel Sharing agreement with Station WKPV(DT), Ponce, PR. WVEO-DT is now operating pursuant to a Channel Sharing Agreement with Station WIRS(DT), Yauco, PR.

License Grant and Renewal

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

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

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

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

Transfers and Assignments of License

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

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

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

Foreign Ownership

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

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

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

Ownership Attribution

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

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

Debt instruments, nonvoting stock, stock options or other nonvoting interests with rights of conversion to voting interests that have not yet been exercised, insulated limited partnership interests where the limited partner is not materially involved in the media-related activities of the partnership, and minority voting stock interests in corporations where there is a single holder of more than 50% of the outstanding voting stock whose vote is sufficient to affirmatively direct the affairs of the corporation generally do not subject their holders to attribution, unless such interests implicate the FCC's equity-debt-plus (or "EDP") rule. Under the EDP rule, a major stia9996m6044 Tm 0 grmk for re t1(nt(ark-t constitu TJ 1ho)1encl)1ght linke righbutable.

Multiple Ownership

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

Local Radio Ownership

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

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

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

Local Television Ownership

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

RadioTelevision Cross Ownership Rule

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

Newspaper Broadcast Cross Ownership Rule

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

Television National Audience Reach Limitation

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

Programming and Operations

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

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

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

Indecency and Profanity

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

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

Simulcasting

Cable and Satellite Carriage of Television Broadcast Stations

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

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

Digital Television Services

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

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

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

Children's Television Programming

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

Sponsorship Identification

Both the Communications Act and the FCC rules generally require that, when payment or other consideration has been received or promised to a broadcast licensee for the airing of program material, the station must disclose that fact and identify who paid or promised to provide the consideration at the time of the airing. In the past, the FCC has initiated inquiries against several media companies, including our company, concerning sponsorship identification practices with respect to the music recording industry. The

- proposals to restrict or prohibit the advertising of on-line casinos or on-line sports-betting services;
- proposals regarding the regulation of the broadcast of indecent or violent content;
- technical and frequency allocation matters, including increased protection of low power FM stations from interference by full-

Risks Related to Our Indebtedness and Preferred Stock

Failure to repay our Notes

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

We cannot assure you that we will be successful in our recapitalization and restructuring efforts. Our failure to repay the Notes at their maturity resulted in an event of default under the Indenture and the Noteholders are able to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture. The collateral constitutes substantially all of our assets and includes the equity of our subsidiaries that own our FCC licenses, our contractual rights and economic interests in such FCC licenses, and a significant portion of our operating cash. In the event we are unsuccessful in these efforts and one or more Noteholders seek to exercise remedies against us or our assets, we may be required to seek protection under Chapter 11 of the U.S. Bankruptcy Code, among other things, in order to maximize the value of our company for all of our constituents. While we believe that a Chapter 11 filing may create an avenue to successfully execute on our recapitalization and restructuring strategy, such a filing may also have several negative consequences to our business, including the costs and negative publicity that surrounds such a filing, reduced advertising revenue due to the uncertainty surrounding the filing, the potential need to sell assets (including the equity of our subsidiaries that own our FCC licenses) under distressed circumstances and the risk that we are unable to execute on a successful plan of reorganization and restructuring.

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

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

As a result of our not having sufficient funds legally available to repurchase all of our Series B preferred stock for which repurchases were requested on October 15, 2013, a "Voting Rights Triggering Event" occurred (the "Voting Rights Triggering Event") under the Certificate of Designations under which the Series B preferred stock was issued. For more information regarding the Voting Rights Triggering Event, see Note 10 to our 2019 financial statements that are included elsewhere in this Annual Report. As a result, the holders of the Series B preferred stock have the right to elect two members to our Board of Directors until that event is

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

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

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

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

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

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

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

- we did not repay the Notes at their maturity, as a result of which there was and continues to be an event of default under the Indenture;
- requires us to use a substantial portion of our cash flow from operations to pay interest at a rate of 12.5% per year on our Notes,

- alter the businesses we conduct;
- enter into agreements restricting our subsidiaries’ ability to pay dividends, make loans and sell assets to the Company and other

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

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

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

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

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

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

Any of these events could cause our stations’ audience ratings, market shares and advertising revenues to decline and any

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

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

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

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

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

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

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

We are dependent on the security and reliability of information and communications technology, systems, networks and the Internet. We rely on our information technology systems and those of third-party providers to manage our business data, communications, advertising content, order entry, and other business processes. Additionally, our information technology systems and processes need to support the future growth of our business and require modifications or upgrades, from time to time. Such use and development exposes us to potential computer system and network failures and cyber incidents, resulting from deliberate attacks or unintentional events caused by circumstances beyond our control, including power outages, catastrophic events and natural disasters. We therefore face the risk of an event or attack, resulting in remediation costs, increased cyber security protection costs, lost revenue, legal risks and reputational damage. Despite our security measures, we have been the target of cyber-attacks, including phishing attacks, ransomware attacks, and future attacks are likely to occur including network and information systems-related events, such as computer hackings, cyber threats, security breaches, viruses or other destructive or disruptive software, process breakdowns, We currently account for our FCC broadcast licenses as indefinite-lived assets. In the event we are no longer able to conclude

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

We may be adversely affected by comprehensive tax reform.

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

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

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

Item 1B. Unresolved Staff Comments

None.

Item 2. Properties

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

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

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

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

PART II

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

(a) Market Information

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

(d) Equity Compensation Plans and Other Equity Compensation

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

Number of Shares

Net Revenue Description and Factors

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

- Local and digital revenue generally consists of advertising airtime sold in a station's local market, as well as the sale of advertising airtime during the streaming of our radio stations, the LaMusica application and our websites either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid-programming (or infomercials). For the years ended 2019 and 2018, local and digital revenue comprised 68% and 69% of our gross revenues, respectively.
- National and network revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our outside national representation firm, which serves as our agent in these transactions. Network sales consist of advertising airtime sold on our AIRE Radio Network platform by our network sales staff. For the years ended 2019 and 2018, national and network revenue comprised 18% and 19% of our gross revenues, respectively.

Our net revenue is generally determined by the advertising rates that we are able to charge and the number of advertisements that we can broadcast without jeopardizing listenership/viewership levels. Each station broadcasts a predetermined number of advertisements per hour with the actual number depending upon the format of a particular station and any programming strategy we are utilizing to attract an audience. The number of advertisements we decide to broadcast hourly is intended to maximize the station's revenue without negatively impacting its audience listener/viewer levels. While there may be shifts from time to time in the number of advertisements broadcast during a particular time of the day, the total number of advertisements broadcast on a particular station generally does not vary significantly from year to year.

Our advertising rates are primarily based on the following factors:

- a station's audience share in the demographic groups targeted by advertisers which are measured by ratings agencies, primarily Nielsen;
- the number of stations, as well as other forms of media, in the market competing for the attention of the same demographic groups;
- the supply of, and demand for, advertising time; and
- the size of the market.

Our net revenue is also affected by general economic conditions, competition and our ability to improve operations at our market clusters. Seasonal revenue fluctuations are also common in the broadcasting industry and are primarily due to variations in advertising expenditures by local and national advertisers. Our net revenue is typically lowest in the first calendar quarter of the year.

In addition to advertising revenue, we also generate revenue from barter sales, special events revenue, and other revenue.

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

Operating Expenses Description and Factors

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

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

We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters. In our pursuit to control our operating expenses, we work closely with our local station management and vendors.

Outbreak of COVID-19 Coronavirus

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

Year Ended 2019 Compared to Year Ended 2018

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

	Year Ended December 31,	
	2019	2018

The following summary table presents a comparison of our operating results of operations for the years ended December 31,

Gain on the disposal of assets

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

Recapitalization Costs

The Company incurred $6.8 million of recapitalization costs, in 2019, an increase of $0.1 million, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan. We incurred these costs primarily in connection with our continuing efforts to successfully recapitalize or restructure our balance sheet. Also included in these amounts are the legal and financial advisory fees paid to the ad hoc group of holders (the “Supporting used $25.1 million of proceeds from asset sales and the FCC spectrum auction to partially pay down the Notes. Our current outstanding balance on the Notes is $249.9 million.

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

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

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

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

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

Our primary source of liquidity is our current cash and cash equivalents. We do not currently have a revolving credit facility or other working capital lines of credit. Our cash flows from operations are subject to factors impacting our custom 102(ting our(io rs)-1mW to ev

Our consolidated financial statements have been prepared assuming we will continue as a going-concern and do not include any adjustments that might result if we were unable to do so, and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. Furthermore, as of December 31, 2019, we had a working capital deficit due primarily to the classification of our Series B preferred stock as a current liability and the classification of our Notes as a current liability. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of, or remedies available to, creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to redeem or repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in refinancing our Notes, and are able to generate legally available funds under Delaware law, we may be required to pay all or a portion of the accumulated preferred dividends and redeem all or a portion of the Series B preferred stock, to the extent of the funds legally available.

Our strategy is to primarily utilize cash flows from operations to meet our ordinary course operating obligations. Management continually projects anticipated cash requirements and believes that cash from operating activities, together with cash on hand, should be sufficient to permit us to meet our ordinary course operating obligations over the next twelve-month period. Cash from operating activities will not be sufficient to repay the Notes or to redeem the Series B preferred stock.

Assumptions which underlie management's beliefs with respect to operating activities include the following:

- the demand for advertising within the broadcasting industry and economic conditions in general will not deteriorate in any material respect;
- despite the consequences resulting from the occurrence of the Voting Rights Triggering Event, we will continue to successfully implement our business strategy; other than with respect to acquisitions and investments requiring proceeds from debt financings;
- we will use cash flows from operating activities to fund our operations and pay our expenses (including interest on the Notes), but not to repay the Notes or redeem the Series B preferred stock; and
- we will not incur any material unforeseen liabilities, including but not limited to taxes, environmental liabilities, regulatory matters or legal judgments.

We cannot assure you that these assumptions will be realized.

Historically, we have evaluated strategic media acquisitions and/or dispositions and strived to expand our media content through distribution, programming and affiliation agreements in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. Historically, we have engaged in discussions regarding potential acquisitions and/or dispositions and expansion of our content through media outlets from time to time in the ordinary course of business. As a result of the consequences resulting from the occurrence of the Voting Rights Triggering Event and the need to repay the Notes, we are currently not able to finance acquisitions through the incurrence of additional debt and are subject to additional restrictions which may preclude us from being able to execute this strategy.

Notes

As of December 31, 2019, we had outstanding $249.9 million principal amount of our Notes and as a result of our failure to pay the Notes at maturity, an event of default of the covenant to repay the Notes under the Indenture has occurred and is continuing.

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

Holders of the Series B preferred stock have customary protective provisions. The Certificate of Designations contains covenants that, among other things, limit our ability to: (i) pay dividends, purchase junior securities and make restricted investments or other restricted payments; (ii) incur indebtedness, including refinancing indebtedness; (iii) merge or consolidate with other companies or transfer all or substantially all of our assets; and (iv) engage in transactions with affiliates. Upon a change of control, we will be required to make an offer to purchase these shares at a price of 101% of the aggregate liquidation preference of these shares plus accumulated and unpaid dividends to, but excluding the purchase date.

The Certificate of Designations provided holders the right, on October 15, 2013, to require us to repurchase their shares, subject to the legal availability of funds. At the option of the holder, we were required to repurchase the Series B preferred stock at a purchase price equal to 100% of the liquidation preference, or $1,000.00 per share, plus accrued and unpaid dividends. Certain holders of the Series B preferred stock exercised their repurchase option, but we were unable to fully repurchase the Series B preferred stock for which repurchases were requested, resulting in a continuing Voting Rights Triggering Event. During the continuation of a Voting

Class A Common Stock

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

Class B Common Stock

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

Summary of Capital Resources

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

	Year Ended December 31,	Change

Critical Accounting Policies

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

Going Concern

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

Accounting for Indefinite-Lived Intangible Assets and Goodwill

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

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

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

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

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

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

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

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

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

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

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

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

In addition to conducting our annual impairment testing, at each interim reporting period we performed a qualitative assessment for each unit of accounting for triggering events that could have indicated impairment to our FCC broadcasting licenses. In this assessment, we considered the qualitative factors that are outlined in FASB ASC 350-30-35-18B, which include, but are not limited to, the state of the economy, advertising demand, market conditions, broadcasting industry future growth rates, regulatory matters and technology. During the second quarter of 2018, as a result of the interim impairment test, we determined that there was an impairment to our television FCC broadcasting license in Puerto Rico, primarily due to lower industry advertising revenue growth projections in the subject market. We recorded a non-cash impairment loss of approximately $0.5 million that reduced the carrying value of such

Valuation of Accounts Receivable

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

Revenue Recognition

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

Leases

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

Contingencies and Litigations

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

Recently Issued Accounting Pronouncements

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

Impact of Inflation

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

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

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Control and Procedures

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

Management's Report on Internal Control over Financial Reporting

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

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

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

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

2. Financial Statement Schedule

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

- Consolidated Financial Statement Schedule – Valuation and Qualifying Accounts.

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

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

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

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

	December 31, 2019	December 31,

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Operations
Years Ended December 31, 2019 and 2018
(In thousands, except per share data)

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

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Changes in Stockholders' Deficit
Years Ended December 31, 2019 and 2018
(In thousands, except share data)

	Series C convertible preferred stock		Class A common stock		Class B common stock				
	Number of shares	**Par value**	**Number of shares**	**Par value**	**Number of shares**	**Par value**	**Additional paid-in capital**	**Accumulated deficit**	**Total stockholders' deficit**
Balance at December 31, 2017	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 526,147	$ (622,065)	$ (95,914)
Stock-based compensation	—	—							

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2019 and 2018
(In thousands)

	Year Ended December 31, 2019	Year Ended December 31, 2018
Cash flows from operating activities:		
Net (loss) income	$ (928)	$ 16,491
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Dividends on Series B preferred stock classified as interest expense	9,734	9,734
Loss (gain) on the disposal of assets, net of disposal costs	434	(12,370)
Gain on insurance proceeds received for damage to equipment	(69)	(180)
Impairment charges	—	483
Stock-based compensation	10	44
Depreciation and amortization	3,602	3,801
Net barter income	(921)	(564)
Provision for trade doubtful accounts	906	528
Deferred income taxes	(3,506)	(9,047)
Unearned revenue-barter	803	504
Changes in operating assets and liabilities:		
Trade receivables	(9,058)	(1,185)
Prepaid expenses and other current assets	105	718
Other assets	958	(3,949)
Accounts payable and accrued expenses	(194)	1,572
Accrued interest	—	(284)
Other liabilities	324	190
Net cash provided by operating activities	2,200	6,486
Cash flows from investing activities:		
Purchases of property and equipment	(3,798)	(2,907)
Proceeds from the sale of property and equipment	6	12,950
Insurance proceeds received for damage to equipment	69	297
Payments towards FCC repack assets	(89)	(89)
Net cash (used) provided by investing activities	(3,812)	10,251
Cash flows from financing activities:		
Paydown of 12.5% senior secured notes	—	(10,410)
Net cash used in financing activities	—	(10,410)
Net (decrease) increase in cash and cash equivalents	(1,612)	6,327
Cash and cash equivalents at beginning of year	22,468	16,141
Cash and cash equivalents at end of year	$ 20,856	$ 22,468
Supplemental cash flows information:		
Interest paid	$ 31,245	$ 32,147
Income tax paid, net	$ 2,354	$ 1,417

(1) Organization and Nature of Business

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

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

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

(2) Summary of Significant Accounting Policies and Related Matters

(a) Basis of Presentation

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

Our consolidated financial statements have been prepared assuming we will continue as a going-concern, and do not include any adjustments that might result if we were unable to do so, and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2019, we had a working capital deficit due primarily to the classification of our 10¾% Series B Cumulative Exchangeable Redeemable Preferred Stock (the "Series B preferred stock") as a current liability and the classification of our 12.5% Senior Secured Notes due 2017 (the "Notes") as a current liability. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of or remedies available to creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to redeem or repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our Notes, and are able to generate legally available funds under Delaware law, we may be required to pay all or a portion of the accumulated preferred dividends and redeem all or a portion of the Series B preferred stock, to the extent of the funds legally available. The Company is currently involved in litigation with some holders of the Series B preferred stock. See Note 10 elsewhere in these Notes to the consolidated financial statements for additional detail regarding the Series B preferred stock litigation.

(f) FCC Broadcasting Licenses

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

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

(j) Advertising Costs

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

(k) Contingent Liabilities and Gains

Accounting standards require that an estimated loss from a loss contingency shall be accrued when information availa] TJ 1 881elyati tin

(m) Concentration of Business and Credit Risks

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

Our operations are conducted in several markets across the United States, including Puerto Rico. Our New York, Los Angeles, and Miami markets accounted for more than 65% of net revenue for the years ended December 31, 2019 and 2018. Our credit risk is

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40) – Customers Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract*, which provides additional guidance on the accounting for costs of implementation activities performed in a cloud computing arrangement virtually all of the current revenue recognition guidance under U.S. GAAP. In July 2015, the FASB postponed the effective date of this standard. The standard is now effective. During 2016, the FASB issued various updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses, determining if a company is the principal or agent in a revenue

Significant Judgments

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

Contract Balances

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

Transaction Price Allocated to the Remaining Performance Obligation

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

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

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

(4) Leases

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

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

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

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

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

(6) Assets and Liabilities Held for Sale

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

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

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

		2019
FCC broadcasting licenses	$	

(7) Property and Equipment, Net

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

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

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

(8) Accounts Payable and Accrued Expenses

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

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

The Notes are senior secured obligations of the Company that rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. Subject to certain exceptions, the Notes are fully and unconditionally guaranteed by each of our existing wholly owned domestic subsidiaries (which excludes (i) our existing and future subsidiaries formed in Puerto Rico (the "Puerto Rican Subsidiaries"), (ii) our future subsidiaries formed under the laws of foreign jurisdictions and (iii) our existing and future subsidiaries, whether domestic or foreign, of the Puerto Rican Subsidiaries or foreign subsidiaries) and our other domestic subsidiaries that guarantee certain of our other debt. The Notes and guarantees are structurally subordinated to all existing and future liabilities (including trade payables) of our non-guarantor subsidiaries.

(c) Covenants and Other Matters

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

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

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

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

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

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

Holders of the Series B preferred stock have customary protective provisions. The Certificate of Designations governing the Series B preferred stock (the "Certificate of Designations") contains covenants that, among other things, limit our ability to: (i) pay dividends, purchase junior securities and make restricted investments other restricted payments; (ii) incur indebtedness, including refinancing indebtedness; (iii) merge or consolidate with other companies or transfer all or substantially all of our assets; and (iv) engage in transactions with affiliates. Upon a change of control, we will be required to make an offer to purchase these shares at a price of 101% of the aggregate liquidation preference of these shares plus accumulated and unpaid dividends to, but excluding the

We had the option to redeem all or some of the registered Series B preferred stock for cash on or after October 15, 2009 at

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

As of the date of these financial statements, the Company believes that there remain genuine questions regarding valid

(c) Share-Based Compensation Plans and Other Share Based Compensation

2006 Omnibus Equity Compensation Plan

In July 2006, we adopted an omnibus equity compensation plan (the “Omnibus Plan”) in which grants of Class A common stock can be made to participants in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options, (iii) stock appreciation rights, (iv) stock units, (v) stock awards, (vi) dividend equivalents, and (vii) other stock-based awards. The Omnibus Plan authorizes up to 350,000 shares of our Class A common stock for issuance, subject to adjustment in certain circumstances. The Omnibus Plan provides that the maximum aggregate number of shares of Class A common stock units, stock awards and other stock-based awards that may be granted, other than dividend equivalents, to any individual during any calendar year is 100,000 shares, subject to adjustments. The Omnibus Plan expired on July 17, 2016 and no further share-based awards can be granted under this plan.

1999 Stock Option Plans

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

Other Share-Based Compensation

In February 2016, the Company issued options to purchase 75,000 shares of the Company’s Class A Common Stock to an individual as an inducement to his taking a position with the Company. The options vest over a three-year period and have a ten-year term commencing on their vesting dates. If the employee is terminated without cause or resigns after a change in control, the options automatically1( )-oruAab 20%8289(terfuo)-1(auo)-1(T)-1I1(fter0 -1(ass)-1(Arminck as inscs)-1s)-(asppl”) iable NASDned tQ and 20% each)1

Valuation Assumptions

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

	2019
Expected term	7
Dividends to common stockholders	None

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

(12) Commitments

(a) Employment and Service Agreements

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

Year ending December 31:		
2020	$	9,793
2021		7,453
2022		4,593
2023		1,284

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

	2019	**2018**
Deferred tax assets:		

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

The conclusions as to the ownership changes was based on applicable provisions of the Internal Revenue Code, related Treasury Regulations for Section 382. Based solely on these provisions, the Company believes that a 2017 ownership change occurred. Therefore available NOL carry-forwards were reported in the Consolidated Financial Statements reflecting such a change. This

(17) Segment Data

	Year Ended December 31,	
	2019	2018
Capital expenditures:		

(20) Subsequent Events

Outbreak of COVID-19 Coronavirus

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

Enactment of H.R.748, The CARES Act

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Financial Statement Schedule – Valuation and Qualifying Accounts
Years Ended December 31, 2019 and 2018
(In thousands)

Description	Balance at beginning of year	Charged to cost and expense	Charged to other accounts	Deductions (1)	Balance at end of year
Year ended December 31, 2018:					

**SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES**

Exhibit Index

San Francisco, Spanish Broadcasting System, Inc. and

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

*

Signatures