UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2018

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _________ to__________

Commission file number 000-27823

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Special Note Regarding Forward-Looking Statements

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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 that we serve. Our broadcast stations participate in numerous community programs, fundraisers and activities benefiting the local community and Hispanics abroad. Examples of our community involvement include free public service announcements, free events designed to promote family values within the local Hispanic communities, extensive coverage of world events that have an impact on the U.S. Hispanic population as well as charitable contributions to organizations that benefit the local Hispanic communities in which we operate. Our community involvement also allows us to keep abreast of shifting audience preferences, to further tailor our content and to enhance broadcast station loyalty.

Hispanic Market Opportunity

The U.S. Hispanic population is the largest ethnic minority group and is projected to be the fastest growing segment of the population. We believe that we are well positioned to benefit from the projected growth in population and buying power of the U.S. Hispanic population and the expected shift of advertising dollars to Hispanic media. We believe that targeting the Hispanic market is attractive for the following reasons:

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 3.5 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 live concerts and events provide our advertisers additional opportunities to reach their target audiences as well as allow us to cross-promote our brands and diversify our revenue base.

Diversification across Media Platforms, Geography and Customers. Our programming reaches audiences across U.S. Hispanic communities and across various media distribution platforms. We sell our advertising time both nationally and locally and generate substantially all of our revenue from the sale of advertising time to a broad and geographically diverse customer base. The diversification of our stations across several local markets helps to mitigate any revenue decline in a specific geographic area. Additionally, in 2018, no single advertiser generated more than 5% of our consolidated revenue. Our customer base includes advertisers in the automotive, retail, telecommunications and healthcare industries, among others. In addition to advertising revenue, we also generate subscription and retransmission fee revenue from MegaTV.

Attractive Business Model. Our strong margins and low levels of capital expenditures enable us to generate high levels of station operating cash flows. We also benefit from an attractive operating cost structure that provides significant operating leverage while allowing us ongoing operating flexibility in light of the limits to our financial flexibility.

Experienced Management Team. Led by Raúl Alarcón, our Chairman, Chief Executive Officer and President, our senior management team has, on average, over 20 years of experience in the broadcasting sector. Importantly, the Alarcón family has been involved in Spanish-language radio broadcasting since the 1950s, when the late Mr. Pablo Raúl Alarcón, our former Chairman Emeritus, established his first radio station in Camagüey, Cuba. We believe that our experienced management team gives us a unique understanding of the various Hispanic ethnic and cultural subgroups and allows us to effectively tailor our broadcast programming, websites and concerts accordingly.

Our Continued Recapitalization and Restructuring Efforts

We have not repaid our outstanding Notes since they became due on April 17, 2017, and we continue to evaluate all options available to refinance the Notes. While we assess how to best achieve a successful refinancing of the Notes, we have continued to pay interest on the Notes, payments that a group of investors purporting to own our Series B preferred stock have challenged through the

The Series B Preferred Stock Litigation

Persons claiming to own 94.16% of our Series B preferred stock filed a complaint against us in the Delaware Court of Chancery, in *Cedarview Opportunities Master Fund, L.P., et al. v. Spanish Broadcasting System, Inc*. (Del.Ct.Ch. C.A. No. 2017-0785-AGB), on November 2, 2017, which was subsequently amended. The complaint, as amended (the “Preferred Holder Complaint”), alleges counts for breach of contract, breach of the implied covenant of good faith and fair dealing and specific performance regarding the Certificate of Designations governing the Series B preferred stock (the “Certificate of Designations”) in connection with a forbearance agreement we entered into with certain Noteholders on May 8, 2017 (the “Forbearance Agreement”) and breach of our Third Amended and Restated Certificate of Incorporation (the “Charter”) and for a declaratory judgment regarding the validity of a provision of the Charter regarding the foreign ownership issues described below. Specifically, it alleges that the Forbearance Agreement (which expired on May 31, 2017) and certain payments pursuant thereto were barred by the Certificate of Designations due to the existence of a “Voting Rights Triggering Event” under the Certificate of Designations because, among other things, the forbearance agreement allegedly constituted a “de facto” extension or refinancing of the Notes. The Preferred Holder Complaint alleges that SBS breached the Charter by suspending certain rights of the Series B preferred stockholders, and that Section 10.4 of the Charter is overbroad and thus invalid as a matter of Delaware law. The complaint requests relief including, among other things, an order interpreting and enforcing the Certificate of Designations, preventing us from making any additional payments on the Notes and requiring us to redeem the Series B preferred stock at face value plus accrued dividends (or approximately $175.3 million as of December 31, 2018), as well

Previously, on April 27, 2018, the Company had announced publicly that the purported foreign ownership excess did not exist. On this date, the Company issued Notices of Ineffective Purported Purchase of Series B Preferred Stock (the “Notices”) to each of West Face Long Term Opportunities Global Master L.P., Stornoway Recovery Fund LP, Stonehill Master Fund Ltd. and Ravensource Fund notifying these investors that their claimed purchases of Series B preferred stock would be treated as void and non-existent because these investors attempted to acquire these shares in transactions that, if given effect, would have violated the Charter. In the Notices, the Company invited these investors to demonstrate facts to the contrary supported by relevant documentation. As of the date

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

<u>Owned and Operated</u>

Market	# of stations	# of formats	FM Station ID	Frequency	Station Name	Format	Target buying demographic group by age
Los Angeles	2	2	KLAX	97.9	La Raza	Regional Mexican	18 – 49
			KXOL	96.3	Mega	Latin Rhythmic	18 – 34
New York	2	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

San Juan, Puerto Rico. In 2017, the San Juan, Puerto Rico market was the twenty-ninth largest U.S. television market in terms of advertising revenue. In 2018, advertising revenues were projected to be approximately $150.7 million. The San Juan, Puerto Rico market experienced an annual television revenue decrease of 15.0% between 2016 and 2017.

Fresno. In 2017, the Fresno-Visalia market was the fifty-ninth largest U.S. television market in terms of advertising revenue. In 2018, advertising revenues were projected to be approximately $79.5 million. The Fresno-Visalia market experienced an annual television revenue decrease of 12.2% between 2016 and 2017.

The following table lists the distribution outlets of our MegaTV programming:

Market	**Station ID**	**Programming type**
Houston, Texas	KTBU	Owned & Operated
Miami, Florida	WSBS	Owned & Operated
San Juan, Puerto Rico	WTCV	Owned & Operated
Ponce, Puerto Rico	WVOZ	Owned & Operated

We also have 3,500 square feet of HD TV-Studio production space in Puerto Rico with a fully equipped HD control room and six edit suites.

Special Events and On-Line Properties

As part of our media operating business, we also operate SBS Entertainment and SBS Interactive. SBS Entertainment is a premier producer of unique entertainment, concerts and special events. We generate special events revenue from ticket sales and event sponsorships, as well as profit-sharing arrangements by producing or co-producing live concerts and live experience events with popular artists, which are promoted by our radio, television and digital media assets. SBS Interactive manages LaMusica.com, Mega.tv, various radio station websites, and the LaMusica Mobile App. All of the digital properties offer bilingual (Spanish-English) content related to Latin music, entertainment, cultural & market trends, lifestyle, and news. LaMusica and our multiple social media networks generate revenue primarily from advertising and sponsorships. In addition, the majority of our social media networks and station websites simultaneously stream our radio stations content which has broadened our audience reach. We are developing brand specific digital content strategies for various broadcast programs, on-air personalities and brands, and intend to generate revenue from such strategies. We also leverage many of our special events produced by SBS Entertainment, to produce music based digital content for live streaming and/or taped, on-demand streaming, which can also be developed to generate revenue.

We believe that SBS Entertainment and SBS Interactive, together with our broadcast portfolio, enable our audience to enjoy targeted and culturally relevant entertainment, which include, but are not limited to concert specials, artist interviews, music editorial content, music reviews, and local entertainment calendars, among others. At the same time, our online properties enable our advertisers to reach their targeted Hispanic consumers through an additional, targeted and dynamic medium.

Advertising Revenue

The vast majority of our revenue is derived from cash advertising sales. Advertising revenue has historically been classified into three categories – “national”, “network” and” local”. “National” generally refers to advertising that is solicited by a representative firm for advertisers out of the Designated Market Area (“DMA”). Our national sales representative for our radio stations is McGavern Guild Media, LLC.   “Network” advertising revenue is advertising revenue sold to network advertisers expecting to reach 70% plus of the U.S. national radio audience in a specific demographic group. The network advertising buys are sold by our AIRE Radio Networks group. “Local” refers to advertising purchased by advertisers and agencies in the local market served by a particular station.

Current trends in the media advertising market have changed the long-established model for categorizing advertising revenue.

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

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

12/23/2004

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	2/1/2020	106.9 MHz	B	594	25
WEGM-FM	Puerto Rico	1/14/2000	2/1/2020	95.1 MHz	B	600	25
WRXD-FM	Puerto Rico	12/1/1998	2/1/2020	96.5 MHz	B	852	12
WIOB-FM	Puerto Rico	1/14/2000	2/1/2020	97.5 MHz	B	302	50
WZNT-FM	Puerto Rico	1/14/2000	2/1/2020	93.7 MHz	B	560	28
WZMT-FM	Puerto Rico	1/14/2000	2/1/2020	93.3 MHz	B1	(69)	15
WODA-FM	Puerto Rico	1/14/2000	2/1/2020	94.7 MHz	B	560	31
WNOD-FM	Puerto Rico	1/14/2000	2/1/2020	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	2/1/2020	95.7 MHz	C2	167	40
WCMQ-FM	Miami, FL	12/22/1986	2/1/2020	92.3 MHz	C2	188	31
WXDJ-FM	Miami, FL	3/28/1997	2/1/2020	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

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

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. However, the FCC will allow case-by-case review of a transaction that involves two top-four stations where strict application of the rule would be unwarranted. 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. Television JSAs are currently not attributable.

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 $407,270 per indecent or profane utterance with a maximum forfeiture exposure of $3,759,410 for any continuing violation

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

Laws Affecting Intellectual Property

Laws affecting intellectual property are of significant importance to us to protect our brands and copyrights. Protection of brands requires the vigilance and action by the brand owner. We seek trademark registrations for significant brand assets and enforce our brand rights against infringing parties through legal actions, including enforcement actions in the United States Patent and Trademark Office. Unauthorized distribution or reproduction of content, especially in digital formats such as unlicensed live simultaneous or stored streaming of audio recordings and peer-to-peer file "sharing," are threats to a copyright owner's ability to protect and exploit its property. We monitor legal changes that might impact the exclusive rights we have in broadcasts, streams and recorded content. Our digital delivery services and commercial arrangements with digital content providers help reduce the risks associated with unauthorized access to our content. We are also engaged in enforcement and other activities to protect our intellectual property.

Proposed and Recent Changes

Congress and the FCC continually consider new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect our operations, ownership and profitability; result in the loss of audience share and advertising revenue; or

The information on our Internet website (including any other reference to such address in this Annual Report) is an inactive textual reference only, meaning that the information contained on or accessible from the website is not, and shall not be deemed to be part of this Annual Report on Form 10-K and is not incorporated by reference in this report or any other filings we make with the SEC.

Item 1A. Risk Factors

The following discussion of risk factors contains “forward-looking statements,” as discussed in “Special Note Regarding Forward-Looking Statements.” These risk factors are important to understanding this Annual Report, our business and our other filings with the Commission. You should carefully consider the risks and uncertainties described below and the other information in connection with evaluating our business and the forward-looking statements in this Annual Report and our other filings with the Commission. These are not the only risks we face. Additional risks and uncertainties that we are not aware of or that we currently deem immaterial also may impair our business. If any of the following risks actually occur, our business, financial condition and operating results could be materially adversely affected and the trading price of our common stock, preferred stock and debt could decline.

We have not generated sufficient cash to repay our Notes and our liabilities under our Series B preferred stock, and we may be forced to take other actions to satisfy our obligations under our Notes and Series B preferred stock, which may not be successful.

Our cash flows, capital resources and cash raised from the FCC spectrum auction and asset sales were insufficient to repay our Notes at their maturity and satisfy our obligations under our Series B preferred stock. As a result, we will need to refinance the Notes or seek their repayment from a combination of sources, which has not yet occurred and at this time we cannot accurately predict when will we be able to do so, if at all. One consequence of this is that we have been forced to reduce or delay investments, acquisitions, the growth of our business generally and capital expenditures and will continue to be in that position until we address the Notes' maturity. Our monthly cash balances are also significantly less due to the change to pay interest on the Notes on a monthly basis rather than on a semi-annual basis. We face various risks relating to our attempts to sell certain of our assets to raise cash to repay our Notes, including whether we will be able to effect any such sales on attractive terms or at all, the timing of any such sales, their impact on our cash flow and the risks of receiving FCC approval, which we may not be able to obtain. We may not be able to effect any such measures, if necessary, on commercially reasonable terms or at all, and, even if successful, those actions may not allow us to repay our Notes or satisfy our obligations with respect to our Series B preferred stock.

An additional potential consequence is that, if we refinance the Notes, holders of the Series B preferred stock may at the time claim that such refinancing is prohibited by the Certificate of Designations under which the Series B preferred stock was issued. We cannot assure you that we will be able to find sources of cash to pay the Notes. See "—Failure to repay our Notes."

In addition, we conduct a substantial portion of our operations and own substantive assets through our subsidiaries. Accordingly, repayment of our Notes and satisfying our obligations under our Series B preferred stock is dependent on the generation of cash flow by our subsidiaries and their ability to make such cash available to us, by dividend, debt repayment or otherwise. Our subsidiaries may not be able to, or may not be permitted to, make distributions to enable us to make payments in respect of our Notes. Each subsidiary 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, 2018, we had $249.9 million of total debt outstanding which does not include the $175.3 million outstanding under the Series B preferred stock (comprised of approximately $90.5 million in liquidation preference and approximately $84.8 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

Each of these factors may have a material adverse effect on our business, financial condition and results of operations. We do not currently have sufficient cash on hand and we did not generate sufficient cash from operations or the sale of assets or as a result of the Broadcast Incentive Auction to pay the Notes at maturity. See "—Failure to repay our Notes".

The terms of the Indenture and the Certificate of Designations for the Series B preferred stock restrict our current and future operations.

The terms of the Indenture and the Certificate of Designations for the Series B preferred stock contain restrictive covenants that impose significant restrictions on us and may limit, or prevent, our ability to engage in acts that may be in our long-term best interest, including restrictions or prohibitions on our ability to:

- incur or guarantee additional indebtedness, including indebtedness to refinance the Notes;
- pay dividends or make other distributions, repurchase or redeem our capital stock and make certain restricted investments and make other restricted payments;

We face the risk that current and future NOL carry-forwards will become subject to limitation under Section 382 of the Internal Revenue Code of 1986, as amended ("Section 382"), and related Treasury Regulations. As a general matter, our ability to utilize NOL carry-forwards or other tax attributes in any taxable year may be limited if we experience an ownership change for purposes of Section 382. A Section 382 ownership change generally occurs if one or more stockholders or groups of stockholders who own at least 5% of our stock increase their ownership by more than 50 percentage points over their lowest ownership percentage within a rolling three-year testing period. Similar rules may apply under state tax laws. In 2017, we determined that we underwent ownership changes in 2013 and 2017, which reduced available NOL carry-forwards, as described in Note 12 to the Consolidated Financial Statements included elsewhere in this Annual Report. We may undergo further, future ownership changes for purposes of Section 382. The risk of such ownership changes is beyond the ability of the Company to control. Such ownership changes could result from future issuances by the Company or sales of our capital stock by and among third parties, including transfers of our Series B preferred stock. The foreign ownership issue regarding our Series B preferred stock, which we describe under "Part 1. Item 1, Business—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue," could well make the determination of an ownership change" for purposes of Section 382 more complex and difficult to make. It is possible that any ownership change could materially reduce our ability to use our NOL carry-forwards or other tax attributes to offset taxable income, which could require us to pay more income taxes than if we were able to fully utilize our NOL carry-forwards.

Finally, we face several risks regarding the Tax Cuts and Jobs Act (the "Tax Legislation"). The impact included a provision to reduce the federal corporate income tax rate to 21% and restrictions on our ability to deduct interest expense and to use future generated NOLs to offset future generated income, among other things. Accordingly, the Tax Legislation, as well as any additional tax reform legislation in the United States or elsewhere or future regulations or interpretations of the Tax Legislation, could affect our business and financial condition by, among other things, decreasing the value of our NOL carry-forwards. In addition, assessing the overall impact of this and other legislation on the value of our NOL carry-forwards is difficult to do for several reasons, including due to the difficulty of making projections of future taxable income.

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 adverse change in a particular market could have a material adverse effect on the financial condition of our business as a whole.

A large portion of our net revenue and operating income currently comes from our New York, Los Angeles and Miami markets.

Our New York, Los Angeles and Miami markets accounted for more than 60% of our net revenue for the year ended December 31, 2018. Therefore, any volatility in our revenues or operating income attributable to stations in these markets could have a significant adverse effect on our consolidated net revenue or operating income. A significant decline in net revenue or operating income from our stations in any of these markets could have a material adverse effect on our financial condition and results of operations.

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

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

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

Our business is dependent upon the performance of key employees, on-air talent and program hosts. Cost increases in the retention of such employees may adversely affect our profits.

Our business depends upon the efforts, abilities and expertise of our executive officers and other key employees, including on-air talent, and our ability to hire and retain qualified personnel. We employ or independently contract with several on-air personalities and hosts with significant loyal audiences in their respective markets. Although we have entered into long-term agreements with some of our key on-air talent and program hosts to protect our interests in those relationships, these key on-air personalities and program hosts may not remain with us or may not retain their audiences. Competition for these individuals is intense, and many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms which we may be unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control. Furthermore, the popularity and audience loyalty of our key on-air talent and program hosts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our ability to generate ratings and revenues.

The loss of any of our executive officers and key employees, particularly Raúl Alarcón, Chairman of our Board of Directors, Chief Executive Officer and President, could have a material adverse effect on our business. We do not maintain key man life insurance on any of our personnel.

We produce and acquire programming and content and incur costs for all types of creative talent, including on-air talent, programming and production personnel. An increase in the costs of such programming and content or in the costs for creative talent may lead to decreased profitability.

Impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly.

As of December 31, 2018, we had approximately $354.5 million of unamortized intangible assets, including goodwill of $32.8 million and FCC broadcast licenses of $321.7 million on our consolidated balance sheet. These unamortized intangible assets represented approximately 80% of our total assets. Accounting standards require that goodwill and other intangible assets deemed to have indefinite useful lives, such as FCC broadcast licenses, are not amortized. Accounting standards require that goodwill and certain intangible assets be tested at least annually for impairment. If we find that the carrying value of goodwill or FCC broadcast licenses exceeds their fair value, we will reduce the carrying value of the goodwill or intangible asset to the fair value and will recognize an impairment loss in our results of operations.

We currently account for our FCC broadcast licenses as indefinite-lived assets. In the event we are no longer able to conclude that our FCC broadcast licenses have indefinite lives, we may be required to amortize such licenses. The amortization of our FCC broadcast licenses would affect our earnings and earnings per share.

The impairment tests require us to make estimates of the fair value of our intangible assets, which is determined by using a discounted cash flow methodology. Since a number of factors may influence the fair value of our intangible assets, we are unable to predict whether impairments of goodwill or other indefinite lived intangibles will occur in the future. From time to time in the past, we have incurred significant impairment charges, which have materially adversely affected our results of operations.

Any future impairments would result in our recognizing a corresponding operating loss, which could have an adverse effect on our business, financial condition and results of operations.

Piracy of our programming and other content, including digital and Internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability.

Piracy of programming is prevalent in many parts of the world and is made easier by technological advances allowing conversion of programming and other content into digital formats, which facilitates the creation, transmission and sharing of high quality unauthorized copies of our content. We believe that the proliferation of unauthorized copies and piracy of these products has an adverse effect on our business and profitability because these products reduce the revenue that we potentially could receive from the legitimate sale and distribution of our media content.

In July 2010, the 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 that case because the FCC had not provided them with sufficient notice of its intent to issue fines for the use of fleeting expletives. However, the Court did not make any substantive ruling regarding the FCC's indecency standards. 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 in 2015 issued a Notice of Apparent Liability 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.

The FCC's heightened focus on the indecency regulatory scheme against the broadcast industry generally may encourage third parties to oppose our license renewal applications or applications for consent to acquire broadcast stations. In addition, we have in the past been the subject and may in the future become subject to additional inquiries or proceedings related to our stations' broadcast of allegedly indecent or obscene material. To the extent that these pending inquiries or other proceedings result in the imposition of fines, revocation of any of our station licenses or denials of license renewal applications, our results of operations and business could be materially adversely affected. We also face increased potential costs in the form of fines for indecency violations, and we cannot predict whether Congress will consider or adopt further legislation in this area.

Our businesses depend upon licenses issued by the FCC, and if any of those licenses were not renewed or we were to be out of compliance with FCC regulations and policies, our business may be materially impaired.

Our businesses depend upon maintaining their broadcasting licenses issued by the FCC, which are issued currently for a maximum term of eight years and are subject to renewal thereafter. Interested parties may challenge a renewal application. On rare occasions, the FCC has revoked licenses, not renewed them, or renewed them with significant qualifications, including renewals for less than a full term of eight years. In the past, a few of our stations have operated on expired licenses while their applications for renewal remain pending. We cannot be certain that our future renewal applications will be approved or that the renewals will not include conditions or qualifications that could adversely affect our operations or result in material impairments, which could adversely affect our business, financial condition, results of operations and cash flows. If any of our FCC licenses are not renewed, we could be prevented from operating the affected station and generating revenue from it.

Further, the FCC has a general policy restricting the transferability of a station license while a renewal application for that station is pending, and we must comply with extensive FCC regulations and policies governing the ownership and operation of our stations. FCC regulations limit the number of radio and television stations that a licensee can own in a market, which could restrict our ability to consummate future transactions. The FCC's rules governing our radio station operations impose costs on their operations, and changes in those rules could have an adverse effect on our business, financial condition, results of operations and cash flows. The FCC also requires radio stations to comply with certain technical requirements to limit interference between two or more radio stations. If the FCC relaxes these technical requirements, it could impair the signals transmitted by our radio stations and could have a material adverse effect on our business, financial condition, results of operations and cash flows. Moreover, governmental regulations and policies may change over time, and the changes may have a material adverse impact upon our business, financial condition and results of operations.

See also face several risks regarding the foreign ownership issue."

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. 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) (3G 8	Owned or	O𝑁	Lease expiration

We own most of the properties used for the operations of our television stations. These properties include offices, studios, master control and production facilities located in Miami and Puerto Rico. We lease a combined studio and tower site in Key West, Florida for WSBS-TV, a transmitter site for WSBS-CD, in Pembroke Park, Florida, a transmitter site for KTBU-TV in Missouri City, Texas and four separate transmitter or auxillary sites for WTCV-DT, WVEO-DT and WVOZ-DT, in San Juan, Mayaguez and Ponce, Puerto Rico, respectively. In addition, we lease office space in Houston, Texas for KTBU-TV, which houses our sales offices and operations.

The studio, office, and transmitter sites of our media stations are vital to our overall operation. Management believes that our properties are in good condition and are suitable for our operations. We, however, continually assess the need to upgrade and to improve our properties and facilities.

Item 3. Legal Proceedings

From time to time we are involved in various routine legal and administrative proceedings and litigation incidental to the conduct of our business, such as contractual matters and employee-related matters. In recent years, we have been subject to administrative proceedings and lawsuits, including class action lawsuits, alleging violations of federal and state law regarding workplace, wage-hour and employment discrimination matters. In the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition.

Series B Preferred Stock Litigation

In addition, we are involved in litigation with certain purported holders of our Series B preferred stock described in more detail in Part I, Item I. “Business, Our Continued Recapitalization and Restructuring Efforts—The Series B Preferred Stock Litigation.”

Item 4. Mine Safety Disclosures

None.

PART II

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

(a) Market Information

On January 19, 2017, our Class A common stock was suspended from trading on the NASDAQ Global Market, pending delisting, and began trading on the OTCQX® Best Market (U.S. Tier) under the symbol "SBSAA". On March 14, 2018 our Class A common stock was moved to and began trading on the OTCQB Venture Market under the same symbol "SBSAA". The table below shows, for the quarters indicated, the reported high and low bid quotes for our Class A common stock on the NASDAQ Global Market, the OTCQX® Best Market (U.S. Tier) and the OTCQB Venture Market.

	2018		2017	
	High	**Low**	**High**	**Low**
First quarter	$ 0.62	0.27	$ 3.18	0.60
Second quarter				

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, 2018, 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 to be Issued Upon Exercise of Outstanding Options, Warrants	Weighted-Average Exercise Price of Outstanding Options, Warrants	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans

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.

Gain on the disposal of assets

The decrease in gains from the disposal of assets of $3.3 million was primarily related to having recognized less gains on the sale of the New York property than were recognized in the prior year for the sale of the Los Angeles facility and spectrum assets.

Recapitalization Costs

The decrease in recapitalization costs of $0.6 million was primarily due to having paid consent fees to the ad hoc group of investors owning more than 75% of the principal amount of the outstanding Notes who entered into a forbearance agreement with us on May 8, 2017.

Impairment Charges

The increase in impairment charge of $0.5 million was primarily due to an impairment of our Puerto Rico market television FCC broadcasting license.

Operating Income

The increase in operating income of $11.1 million or 27% was mainly due to the increase in net revenue and the decreases in operating expenses including recapitalization costs partially offset by the decreased gain on the disposal of assets, the increase in corporate expenses and the impairment of our FCC broadcasting license described above.

Interest Expense, net

The decrease in net interest expense, excluding the dividends on the Series B preferred stock classified as interest expense, of $4.0 million or 11% was primarily due to the decrease in amortization of the originally issued discount and deferred financing costs being amortized and recorded as interest expense over the term of the Notes, which expired on April 15, 2017 and the additional partial paydown of the Notes during the year.

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. However, we have concluded that there is substantial doubt about our ability to continue as a going concern as discussed under “Critical Accounting Policies—Going Concern.” The Company has also experienced positive cash flows from operations for the twelve-months ended December 31, 2018 which increased our current cash and cash equivalents during the period. As of December 31, 2018 and 2017, 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 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, 2018, 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. However, we continue to pay interest on the Notes on a monthly basis. For more information regarding the Notes, see Part I, Item 1. “Business—Our Continued Recapitalization and Restructuring Efforts” and Note 8 to our 2018 financial statements that are included elsewhere in this Annual Report.

Series B Preferred Stock

On October 28, 2003, our Board of Directors approved the issuance of 280,000 shares of 10 ¾% Series B Cumulative Exchangeable Redeemable Preferred Stock, par value $0.01 per share, with a liquidation preference of $1,000.00 per share. Holders of the Series B preferred stock have customary voting rights and provisions. As of December 31, 2018, we had outstanding $90.5 million of Series B preferred stock due to the liquidation preference and accrued dividends of $84.8 million.

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 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

Class A Common Stock

Employees

In July 2016, SAG-AFTRA was certified as the exclusive collective bargaining representative of a bargaining unit of approximately 30 employees at our Los Angeles-based stations KXOL and KLAX. In October 2018, SAG-AFTRA was also certified as the exclusive collective bargaining representative of a bargaining unit of approximately 10 employees at our Chicago-based station WLEY. We have been negotiating with representatives of SAG-AFTRA for initial collective bargaining agreements covering such bargaining units. To date, we have not yet reached initial collective bargaining agreements with SAG-AFTRA covering either bargaining unit

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition, changes in financial condition, revenue or expenses, results of operations, liquidity, capital expenditures or capital resources.

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," 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 incorporated in the discounted cash flow model are market revenue projections, market revenue share projections, anticipated operating profit margins and risk adjusted discount rates. These assumptions vary based on the market size, type of broadcast signal, media competition and audience share. These assumptions primarily reflect industry norms for similar stations/broadcast signals, as well as historical performance and trends of the markets. In the preparation of the FCC broadcasting license appraisals, estimates and assumptions are made that affect the valuation of the intangible asset. These estimates and assumptions could differ from actual results and could have a material impact on our financial statements in the future.

The 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 2018 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 11.5% 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, 2018. 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 $2.3 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, 2018 for 9 units of accounting (i.e. markets).

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, 2018 and 2017;
- Consolidated Statements of Operations and Comprehensive Income for the years ended December 31, 2018 and 2017;
- Consolidated Statements of Changes in Stockholders’ Deficit for the years ended December 31, 2018 and 2017;
- Consolidated Statements of Cash Flows for the years ended December 31, 2018 and 2017; 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.

Report of Independent Registered Public Accounting Firm

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

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Spanish Broadcasting System, Inc. (the "Company") as of December 31, 2018 and 2017, the related consolidated statements of operations and comprehensive income, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes and consolidated financial statement schedule (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2018 and 2017, and the results of its operations and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Explanatory Paragraph – Going Concern

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the 12.5% Senior Secured Notes had a maturity date of April 15, 2017. Cash from operations or the sale of assets was not sufficient to repay the notes when they became due. In addition, at December 31, 2018 the Company had a working capital deficiency. These factors raise substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("PCAOB") and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Crowe LLP

We have served as the Company's auditor since 2013.

Fort Lauderdale, Florida
April 1, 2019

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Balance Sheets
December 31, 2018 and 2017
(In thousands, except share data)

	December 31, 2018	December 31, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 22,468	$ 16,141
Receivables:		
Trade	32,769	32,046
Barter	431	288
	33,200	32,334
Less allowance for doubtful accounts	1,649	1,529
Net receivables	31,551	30,805
Prepaid expenses and other current assets	7,480	8,055
Total current assets	61,499	55,001
Property and equipment, net	22,414	23,464
FCC broadcasting licenses	321,714	322,197
Goodwill	32,806	32,806
Other ioet[h.849.5 0 m 458.3500061 0 l [redacted]		

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years Ended December 31, 2018 and 2017
(In thousands)

	Year Ended December 31,	
	2018	**2017**
Cash flows from operating activities:		
Net income	$ 16,491	$ 19,621
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Dividends on Series B preferred stock classified as interest expense	9,734	9,733
Gain on the disposal of assets, net of disposal costs	(12,370)	

(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 discussed in Note 8, the Notes became due on April 15, 2017. Cash from operations and proceeds from the sale of assets and the FCC spectrum auction were not sufficient to repay the Notes when they became due. We have worked and continue to work with our advisors regarding a consensual recapitalization or restructuring of our balance sheet, including through the issuance of new debt or equity to raise the necessary funds to repay the Notes. The Series B preferred stock litigation and the foreign ownership issue have

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.

We also consider additional market valuation approaches in assessing whether any impairment may exist at reporting units. Based on consideration of these factors, during the second quarter, 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

(o) 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 60% of net revenue for the years ended December 31, 2018 and 2017. Our credit risk is spread across a large number of diverse customers in a number of different industries, thus spreading the trade credit risk. We do not normally require collateral on credit sales; however, a credit analysis is performed before extending substantial credit to any customer and occasionally we request payment in advance. We establish an allowance for doubtful accounts based on customers' payment history and perceived credit risks.

(p) Basic and Diluted Net Income Per Common Share

Basic net income per common share was computed by dividing net income available to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented. Diluted net income per common share is computed by giving effect to common stock equivalents as if they were outstanding for the entire period. The following table summarizes the net income applicable to common stockholders and the net income per common share for the years ended December 31, 2018 and 2017 (in thousands, except per share data):

	Twelve Months Ended December 31,					
		2018			2017	
	Class A	**Class B**	**Series C**	**Class A**	**Class B**	**Series C**
Basic net income per share:						
Numerator						
Allocation of undistributed earnings	$ 9,510	$ 5,270	$ 1,711	$11,251	$ 6,318	$ 2,052
Denominator						
Number of shares used in per share computation (as converted)	4,224	2,340	760	4,167	2,340	760
Basic net income per share	$ 2.25	$ 2.25				

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, essentially an exit price (see Note 15). The levels of the fair value hierarchy are:

- *Level 1:* inputs are quoted prices, unadjusted, in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.
- *Level 2:* inputs are other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. A Level 2 input must be observable for substantially the full term of the asset or liability.
- *Level 3:* inputs are unobservable and reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability.

(r) Share-Based Compensation Expense

We account for our share-based compensation expense based on the estimated grant date fair value method using the Black-Scholes option pricing model. For these awards, we have recognized compensation expense using a straight-line amortization method (prorated). Share-based compensation expense is based on awards that are ultimately expected to vest. Share-based compensation for the years ended December 31, 2018 and 2017 were reduced for estimated forfeitures. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures.

(s) Leasing (Operating Leases)

We recognize rent expense for operating leases with periods of free rent (including construction periods), step rent provisions

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 that is a service contract. The update is effective for fiscal years beginning after December 15, 2019, and interim periods within those fiscal years. Early adoption is permitted, including adoption in any interim period. The amendments align the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). This update should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. The Company is currently evaluating the effect the update will have on its financial statements.

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework—Changes*

In March 2019, the FASB issued ASU No. 2019-1, *Leases (Topic 842) – Codification Improvements*, which aligns the guidance for fair value of the underlying asset by lessors that are not manufacturers or dealers in Topic 842 with that of existing guidance and determines when the definition of fair value (in Topic 820, Fair Value Measurement) should be applied; the ASU also exempts both lessees and lessors from having to provide certain interim disclosures in the fiscal year in which a company adopts the new leases standard. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. We adopted the new standard on January 1, 2019. The Company elected the practical expedients upprar fa marac1(r) lhe-1(mpaieanuaour c)1(to ciate)1(m)-1s

Disaggregation of Revenue

6,658 2017 2018 and 2017 (in thousands):

Barter6,309

	Year Ended December 31, 2018	Year Ended December 31, 2017
Local, national, digital and network	$ 143,647	$ 132,760
Special events	6,860	6,581
Barter	6,309	6,305
Other	6,658	8,200

(4) Prepaid Expenses and Other Current Assets

Prepaid expenses and other current assets at December 31, 2018 and 2017 consist of the following (in thousands):

	2018	2017
Production tax credits (1)	$ 2,513	$ 5,161
FCC repack assets (2)	1,086	39
Prepaid expenses	3,432	1,884
Other current assets	449	971
	$ 7,480	$ 8,055

(1) The Company's policy is to routinely review the timing of the estimated realization of recorded production tax credits. During our year-end 2018 review, management determined that the timing related to the realization of certain 2017 production tax credits changed. Based on this change in estimate, management adjusted $2.2 million of production tax credits recorded as current assets to non-current assets.

(2) Pursuant to the FCC's Television Broadcast Incentive Auction, repack assets are reimbursable by the FCC, of which $1.0 million of the balance is being used towards the buid-out of a third party antenna with the remaining $0.1 milion being used in the construction and purchase of company assets.

(5) Assets Held for Sale and Gain on Disposition of Assets

During 2016, the Company entered into a listing agreement with a broker to sell a building and related improvements in New York City, which are part of our corporate assets. The property had been reclassified from building and building improvements, as well as furniture and fixtures to assets 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 this building and related improvements.

Pursuant to an agreement entered into by the Company, as of September 12, 2017, with 26 W. 56 LLC, the Company closed on the sale of its New York facilities on July 19, 2018 with a carrying value of $0.4 million for $14.0 million, exclusive of closing costs. The Company recognized a gain on the sale of the New York facilities of $12.5 million. Additionally, the sale of the New York facilities resulted in net proceeds of $10.4 million to the Company, as defined by the Indenture governing the Notes, which is calculated differently than the recognized gain for financial reporting purposes. In order to arrive at net proceeds, as defined by the Indenture, the Company is permitted to hold back certain amounts related to taxes, relocation expenses and capital expenditures that are expected to become payable in the future. The net proceeds of $10.4 million was used to repay a portion of the Notes on August 23, 2018.

A summary of assets held for sale as of December 31, 2018 and December 31, 2017 is as follows (in thousands):

	December 31, 2018	December 31, 2017
Land	$ —	$ —
Property and equipment, net	—	409
	$ —	$ 409

During 2017, we closed on the sale of our Los Angeles facilities and relinquished television spectrum, to the FCC, in Puerto Rico through the Broadcast Incentive Auction. The Company recognized gains of $12.8 million, net of closing costs, and $3.3 million for its Los Angeles facilities and Puerto Rico television spectrum, respectively.

(6) Property and Equipment, Net

Property and equipment, net consists of the following at December 31, 2018 and 2017 (in thousands):

	2018	2017	Estimated useful lives
Land	$ 6,456	$ 6,456	—
Building and building improvements	22,385	22,160	7–20 years
Tower and antenna systems	5,627	5,623	10 years
Studio and technical equipment	22,413	23,680	5–10 years
Furniture and fixtures	3,175	3,972	5–10 years
Transmitter equipment	8,605	8,637	10 years
Leasehold improvements	3,064	2,794	1–20 years
Computer equipment and software	8,807	9,617	3–5 years
Other	2,328	2,027	3–5 years
	82,860	84,966	
Less accumulated depreciation	(60,446)	(61,502)	
	$ 22,414	$ 23,464	

At December 31, 2018, 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 procceds, 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 efforts and our failure to repay the Notes at maturity.

On May 8, 2017, the Company, and certain of its subsidiaries entered into a Forbearance Agreement with the certain Noteholders, owning more than 75% the principal amount of the outstanding Notes. These Noteholders agreed to forbear from exercising any of their rights and remedies under the Indenture, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any event of termination and (b) May 31, 2017. As part of the Forbearance Agreement, the Company agreed to make monthly interest payments of approximately $2.9 million on the Notes for the 30 day periods ending on May 15, 2017 and June 15, 2017, rather than on a semi-annual basis as required by the Indenture. The Company also agreed to pay a consent fee to these Noteholders equal to 0.35% of the principal amount of the Notes held by such parties and to pay the legal fees and financial advisor due diligence fees of these Noteholders. The Forbearance Agreement expired and has not been extended. As of the date of the filing of these financial statements, the Company had made all of the payments required to be made under the Forbearance Agreement and has continued to make monthly interest payments on the Notes on the 15th day of each month and continued to pay the monthly legal and financial advisor due diligence fees of these Noteholders.

On July 19, 2018, the Company closed on the sale of its New York facilities and used the net proceeds to pay down a portion of the outstanding indebtedness on our Notes. On August 23, 2018, net proceeds, as defined by the Indenture, of $10.4 million were delivered directly to the trustee in order to pay down our Notes.

A summary of the outstanding balance of our Notes, as of December 31, 2017 and changes through the year ended December 31, 2018, is presented below (in thousands). Redemptions listed below were made with the net proceeds of asset sales described above.

12.5% Senior Notes due 2017, as of December 31, 2017	$	260,274
Redemption of Notes (August 23, 2018)		(10,410)
12.5% Senior Notes due 2017, as of December 31, 2018		

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.

(9) 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 purchase date.

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 103.583%, October 15, 2010 at 101.792% and October 15, 2011 and thereafter at 100%, plus accumulated and unpaid dividends to the redemption date. On October 15, 2013, each holder of Series B preferred stock had the right to request that we repurchase (subject to the legal availability of funds under Delaware General Corporate Law) all or a portion of such holder's shares of Series B preferred stock at a purchase price equal to 100% of the liquidation preference of such shares, plus all accumulated and unpaid dividends (as described in more detail below) on those shares to the date of repurchase. Under the terms of our Series B preferred stock, we are required to pay dividends at a rate of 10 3/4% per year of the $1,000 liquidation preference per share of Series B preferred stock. From October 30, 2003 to October 15, 2008, we had the option to pay these dividends in either cash or additional shares of Series B preferred stock. During October 15, 2003 to October 30, 2008, we increased the carrying amount of the Series B preferred stock by approximately $17.3 million for stock dividends, which were accreted using the effective interest method. Since October 15, 2008, we have been required to pay the dividends on our Series B preferred stock in cash.

On October 15, 2013, holders of shares of our Series B preferred stock requested that we repurchase 92,223 shares of Series B preferred stock for an aggregate repurchase price of $126.9 million, which included accumulated and unpaid dividends on these shares as of October 15, 2013. We did not have sufficient funds legally available to repurchase all of the Series B preferred stock for which we received requests and instead used the limited funds legally available to us to repurchase 1,800 shares for a purchase price of approximately $2.5 million, which included accrued and unpaid dividends. Consequently, a "Voting Rights Triggering Event" occurred (the "Voting Rights Triggering Event").

During the continuation of a Voting Rights Triggering Event, certain of the covenants summarized above become more restrictive by their terms including (i) a prohibition on our ability to incur additional indebtedness, (ii) restrictions on our ability to make restricted payments and (iii) restrictions on our ability to merge or consolidate with other companies or transfer all or substantially all of our assets. In addition, the holders of the Series B preferred stock have the right to elect two members to our Board of Directors. At our Annual Meeting of Stockholders in 2014, the holders of the Series B preferred stock nominated and elected Alan Miller and Gary Stone to serve as the Series B preferred stock directors who remained on the Board of Directors until their resignation on August 17, 2017. The holders of the Series B preferred stock have the right to elect two new directors to the Board of Directors to fill the seats vacated by Messrs. Miller and Stone for their unexpired terms at a special meeting of the holders of the Series B preferred stock. As of the date of these Consolidated Financial Statements, the holders of the Series B preferred stock have not elected any new directors to fill the vacated seats. The two vacancies on the Board of Directors will remain unfilled until such time as the holders of the Series B preferred stock appoint two new directors.

The Voting Rights Triggering Event shall continue 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. The terms of our Series B preferred stock require us, in the event of a change of control, to offer to repurchase all or a portion of a holder's shares at an offer price in cash equal to 101% of the liquidation preference of the shares, plus an amount in cash equal to all accumulated and unpaid dividends on those shares up to but excluding the date of repurchase. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event or for repurchasing the shares in the event of a change of control. During the continuation of the Voting Rights Triggering Event, the Indenture governing our Notes prohibits us from paying dividends or from repurchasing the Series B preferred stock.

Persons claiming to own 94.16% of our Series B preferred stock filed a complaint against us in the Delaware Court of Chancery, in *Cedarview Opportunities Master Fund, L.P., et al. v. Spanish Broadcasting System, Inc.* (Del.Ct.Ch. C.A. No. 2017-0785-AGB), on November 2, 2017, which was subsequently amended. The complaint, as amended (the "Preferred Holder Complaint"), alleges counts for breach of contract, breach of the implied covenant of good faith and fair dealing and specific performance regarding the Certificate of Designations governing the Series B preferred stock (the "Certificate of Designations") in connection with a forbearance agreement we entered into with certain Noteholders on May 8, 2017 (the "Forbearance Agreement") and breach of our Third Amended and Restated Certificate of Incorporation (the "Charter") and for a declaratory judgment regarding the validity of a provision of the Charter regarding the foreign ownership issues described below.

For additional detail regarding the Series B preferred stock litigation, see Note 14, Litigation, of the Notes to the Consolidated Financial Statements.

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 entities, we were required to take immediate remedial action in order to ensure that 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. Such suspension of rights was meant from the outset to be a temporary and reasonable measure, intended to elicit the information necessary to determine which Series B preferred stock sales were proper under the Charter. The Company pledged to restore the suspended rights to each shareholder that demonstrated it was neither an alien nor a representative of an alien or upon a showing that its ownership of Series B preferred stock (including stakes held by any non-U.S. entities) complies with Section 310(b) of the Communications Act and the Charter.

Additionally, on November 13, 2017, the Company filed a notification with the FCC to apprise the FCC of the possible non-compliance with the Communications Act's limits on foreign ownership. On December 4, 2017, the Company also filed a petition with the FCC for declaratory ruling (the "Petition") with respect to the potential excess foreign ownership. The Company filed the Petition not because it had concluded that an affirmative FCC public interest ruling regarding recognized foreign ownership was required, but at the suggestion of FCC staff to ensure the the Company had prophylactically availed itself of the "safe harbor" protections of Section 1.5004(f)(4) of the FCC's Rules, in the event such a declaratory ruling ultimately proved necessary. This suggestion came after the Company had previously notified the FCC of a possible Section 310(b) foreign ownership issue triggered by the filing of the Preferred Holder Complaint. The FCC responded to the Petition by sending a letter to the Company detailing the information the FCC would need regarding the identities and nature of the purported foreign ownership of the Series B preferred stock to make a determination regarding the Petition and establishing a deadline for the disclosure of that information. The purported Series B preferred stockholders were therefore required to provide to the Company sufficient information about the extent and nature of their foreign ownership to enable the Company to supplement Petition with this additional information. On March 23, 2018, counsel for the purported holders of most of the Series B preferred stock filed a letter with the FCC supplying a significant portion of the information requested. The Company reviewed this information in order to determine whether it was complete, true and correct, as required by the FCC's rules, and requested some additional information from the Series B preferred stockholders. The purported Series B preferred stockholders did not provide any additional information regarding the timing of their alleged purchases of Series B preferred stock until December 5, 2018. On that date, such stockholders filed responses to the Company's interrogatories in the Series B Preferred Stock Litigation. These responses contained a significant portion of the pending information that was originally solicited on November 2017 and January 2018, respectively. The new information mainly consisted of the trading information in the Series B preferred stock, including dates of acquisition, the number of shares purportedly acquired in each transaction and, to the extent available, seller information. On December 6, 2018, the Company received a letter from the Enforcement Bureau of the Investigations and Hearings Division (the "Bureau") of the FCC advising the Company that it was under investigation for potential violations of Section 310(b) of the Communications Act related to excess foreign ownership of broadcast stations. As part of its investigation, the Bureau requested of the Company detailed information and supporting documentation about the identities of the Series B preferred stockholders, the potential for a foreign ownership violation, the dates that the Company became aware of the situation, and the steps it took to address the situation. The Company 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.

Previously, on April 27, 2018, the Company had announced publicly that the purported foreign ownership excess did not exist. On this date, the Company issued Notices of Ineffective Purported Purchase of Series B Preferred Stock (the "Notices") to each of West Face Long Term Opportunities Global Master L.P., Stornoway Recovery Fund LP, Stonehill Master Fund Ltd. and Ravensource Fund notifying these investors that their claimed purchases of Series B preferred stock would be treated as void and non-existent because these investors attempted to acquire these shares in transactions that, if given effect, would have violated the Charter. In the Notices, the Company invited these investors to demonstrate facts to the contrary supported by relevant documentation. However, these investors have not provided the Company with any facts or provided any documentation that would support a different legal conclusion.

As stated above, the Company takes the position that certain of the purported non-U.S. preferred stockholders do not currently hold valid equity interests in the Company, with the result that there is no foreign ownership excess. For this reason, the Company did not claim in its Petition or any supplement thereto that it would be in the public interest for the relevant entities to hold aggregate interests exceeding the 25 percent foreign ownership benchmark. As stated in the original Petition, the Company then recognized that its showing "is not yet complete with respect to the FCC's ability to render a decision regarding the … public interest inquiry." Because the share transfers that gave rise to some or all of the Series B preferred stock ownership claims of several purported non-U.S. preferred stockholders are invalid, there would be no need for such a showing unless a court first determines that the suspect transactions must be honored. Accordingly, both the Company and the purported Series B preferred stockholders have suggested that the FCC should consider simply holding the Petition in abeyance until the Series B Preferred Stock Litigation is resolved.

As of the date of these financial statements, the Company belives that there remain genuine questions regarding valid ownership, or good title, to the Series B preferred stock by these foreign investors. As a result, we intend to remain vigilant regarding compliance with the Communications Act and our Charter and will continue to evaluate information provided to us by the purported holders of the Series B preferred stock. Because we have not yet received all of the requisite information from the purported holders, we have been unable to effectively determine whether to withdraw the suspension of their rights as owners of such preferred stock or the extent of any additional remedial action by the Company that may be necessary.

Quarterly Dividends

Under the terms of our Series B preferred stock, the holders of the outstanding shares of the Series B preferred stock are entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, dividends on the

Stock Options and Nonvested Shares Activity

Stock options have only been granted to employees or directors. Our stock options have various vesting schedules and are subject to the employees' continuing service. A summary of the status of our stock options, as of December 31, 2018 and 2017, and changes during the years ended December 31, 2018 and 2017, is presented below (in thousands, except per share data and contractual life):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2016	408	$ 4.32		
Granted	—	—		
Exercised	—	—		
Forfeited	(15)	26.07		
Outstanding at December 31, 2017	393	$ 3.48		
Granted	—	—		
Exercised	—	—		
Forfeited	(23)	3.39		
Outstanding at December 31, 2018	370	$ 3.49	$ —	6.9
Exercisable at December 31, 2018	345	$ 3.53	$ —	6.6

The following table summarizes information about our stock options outstanding and exercisable at December 31, 2018 (in thousands, except per share data and contractual life):

Weighted	Weighted Average

(11) Commitments

(a) Leases

We lease office space and facilities and certain equipment under operating leases that expire at various dates through 2082. Certain leases provide for base rental payments plus escalation charges for real estate taxes and operating expenses.

At December 31, 2018, future minimum lease payments under such leases are as follows (in thousands):

Year ending December 31:		
2019		3,766
2020		2,545
2021		2,280
2022		2,249
2023		2,113
Thereafter		15,554
Total minimum lease payments	$	

(d) Other Commitments

At December 31, 2018, we have commitments to vendors that provide us with goods or services. These commitments included services for rating services, programming contracts, software contracts and others.

Future payments under such commitments are as follows (in thousands):

Year ending December 31:	
2019	$ 9,506
2020	7,363
2021	1,247
2022	386
2023	—
Thereafter	—
	$ 18,502

(12) Income Taxes

Total income tax (benefit) expense, from continuing operations, for the years ended December 31, 2018 and 2017 were as follows (in thousands):

	2018	2017
Income tax expense (benefit)	$ (6,471)	$ (24,658)

For the years ended December 31, 2018 and 2017, loss before income tax (benefit) expense consists of the following (in thousands):

	2018	2017
U.S. operations	$ 4,107	$ (9,202)
Foreign operations	5,913	4,165
	$ 10,020	$ (5,037)

The components of the provision for income tax (benefit) expense from continuing operations included in the consolidated statements of operations are as follows for the years ended December 31, 2018 and 2017 (in thousands):

	2018	2017
Current:		
Federal	$ 212	$ 177
State and local, net of federal income tax benefit	65	68
Foreign	2,299	780
	2,576	1,025
Deferred:		
Federal	(8,804)	(31,714)
State and local, net of federal income tax benefit	(243)	6,031
Foreign	—	—
	(9,047)	(25,683)
Total income tax (benefit) expense, from continuing operations	$ (6,471)	$ (24,658)

For the year ended December 31, 2018 and 2017, approximately $2.3 million and $5.1 million, respectively, of Puerto Rico NOL carry-forwards were utilized. For the year ended December 31, 2018 and 2017, $0.2 million and $0.4 million, respectively, federal NOL carry-forwards were utilized.

The tax effect of temporary differences and carry-forwards that give rise to deferred tax assets and deferred tax liabilities at December 31, 2018 and 2017 are as follows (in thousands):

	2018	2017
Deferred tax assets:		
Federal and state NOL carry-forwards	$	

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 determination was made based on different provisions, laws and regulations than the separate and different conclusion the Company made regarding valid ownership of its capital stock in 2017 for purposes of its Charter and the Communications Act, as described above under “Part 1. Item 1. Business—Our Continued Recapitalization and Restructuring Efforts—Foreign Ownership Issue.” The Company evaluated its position based on the facts and circumstances that were currently available and may reevaluate the conclusion regarding the occurrence of a 2017 ownership change for income tax and financial statement purposes based on additional facts and developments in the future. The NOL’s that were subject to the 2017 ownership change did have a full valuation allowance against them. Therefore, if the Company subsequently determined it did not experience this additional ownership change in August 2017, there would be no impact to the Company’s financial position and results of operations.

Total income tax (benefit) expense from continuing operations differed from the amounts computed by applying the U.S. federal income tax rate of 21.0% and 35.0% for the years ended December 31, 2018 and 2017, respectively, as a result of the following:

	2018	2017

The SEC has issued Staff Accounting Bulletin ("SAB") No. 118, which permits the recording of provision amounts related to the impact of the Tax Legislation during a measurement period, which is not to exceed one year from the enactment date of the Tax

(15) Fair Value Measurement Disclosures

(a) Fair Value of Financial Instruments

Cash and cash equivalents, receivables, as well as accounts payable and accrued expenses, and other current liabilities, as reflected in the consolidated financial statements, approximate fair value because of the short-term maturity of these instruments. The estimated fair value of our other long-term debt instruments, approximate their carrying amounts as the interest rates approximate our current borrowing rate for similar debt instruments of comparable maturity, or have variable interest rates.

Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgment and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

The fair value of the Notes is estimated using market quotes from a major financial institution taking into consideration the most recent activity and are considered Level 2 measurements within the fair value hierarchy. The fair value of the Series B cumulative exchangeable redeemable preferred stock was based upon a weighted average analysis using the Black-Scholes method, an income approach, and the yield method resulting in a Level 3 classification. The Black-Scholes method utilized an estimate of the fair value of the SBS equity, volatility, an estimate of the time to liquidity, and a risk free rate in the determination of the SBS preferred fair value. Key assumptions for the income and yield methods included the expected yield on preferred stock, accrued dividends, the principal amount of the Series B preferred stock, and an estimate of the time to liquidity. A discount for lack of marketability of the preferred stock was also utilized in the analysis. The outcome of the Series B preferred stock litigation may impact the fair value of the Series B preferred stock going forward.

The estimated fair values of our financial instruments are as follows (in millions):

December 31,

(16) Segment Data

The following summary table presents separate financial data for each of our operating segments. The accounting applied to determine the segment information are generally the same as those described in the summary of significant accounting polices (see

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Financial Statement Schedule – Valuation and Qualifying Accounts
Years Ended December 31, 2018 and 2017
(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, 2017:					
Allowance for doubtful accounts	$ 745	853	—	(69)	1,529
Valuation allowance on deferred taxes	88,171	(25,483)	—	—	62,688
Year ended December 31, 2018:					
Allowance for doubtful accounts	$ 1,529	528	—	(408)	1,649
Valuation allowance on deferred taxes	62,688	1,737	—	—	64,425

(1) Cash write-offs, net of recoveries.

See accompanying report of independent registered public accounting firm.

10.13	Stockholder Agreement dated as of October 5, 2004 among Spanish Broadcasting System, Inc., Infinity Media Corporation and Raúl Alarcón, Jr.	8-K		10.2	10/12/04
10.14	Registration Rights Agreement dated as of December 23, 2004 between Spanish Broadcasting System, Inc. and Infinity Media Corporation.	8-K		4.3	12/27/04
10.15*	Nonqualified Stock Option Agreement, dated as of March 15, 2005 between the Company and Jason Shrinsky.	10-Q	3/31/05	10.1	5/10/05
10.16*	Nonqualified Stock Option Agreement, dated as of March 15, 2005 between the Company and Joseph A. García.	10-Q	3/31/05	10.2	5/10/05
10.17*	Spanish Broadcasting System, Inc. 2006 Omnibus Equity Compensation Plan.	10-Q	6/30/06	10.2	8/8/06
10.18	Agreement for Purchase and Sale dated August 24, 2006, by and between 7007 Palmetto Investments, LLC and the Company.	8-K		10.1	10/30/06
10.19	Amendment to Purchase and Sale dated September 25, 2006, by and between 7007 Palmetto Investments, LLC and the Company.	8-K		10.2	10/30/06
10.20	Second Amendment dated October 25, 2006, by and between 7007 Palmetto Investments, LLC and the Company.	8-K		10.3	10/30/06
10.21	Assignment and Assumption Agreement dated October 25, 2006, by and between the Company and SBS Miami Broadcast Center, Inc.	8-K		10.4	10/30/06
10.22	Loan Agreement dated January 4, 2007, by and between Wachovia Bank, National Association and SBS Miami Broadcast Center.	8-K		10.1	1/10/07
10.23	Promissory Note, dated January 4, 2007, by SBS Miami Broadcast Center in favor of Wachovia.	8-K		10.2	1/10/07
10.24	Mortgage, Assignment of Rents and Security Agreement dated January 4, 2007, by and between Wachovia and SBS Miami Broadcast Center.	8-K		10.3	1/10/07
10.25	Unconditional Guaranty dated January 4, 2007, by Spanish Broadcasting System, Inc. in favor of Wachovia.	8-K		10.4	1/10/07
10.26*	Restricted Stock Grant, dated as of March 10, 2007 to Raúl Alarcón, Jr.	10-K	12/31/06	10.116	3/17/08
10.27*	Stock Option Agreement dated as of October 1, 2007 between the Company and Mitchell A. Yelen.	10-Q	9/30/07	10.2	11/11/07
10.28*	Amended and Restated Employment Agreement dated as of August 4, 2008, by and between the Company and Joseph A. García.	8-K		10.1	8/8/08
10.29*	Stock Option Agreement dated as of June 3, 2010 between the Company and Manuel E. Machado.	10-Q	6/30/10	10.1	8/13/10
10.30*	Amendment to Employment Agreement dated April 19, 2011 by and between the Company and Joseph A. Garcia.	10-Q	6/30/11	10.1	8/12/11
10.31*	Employment Agreement dated June 5, 2014, by and between the Company and Raúl Alarcón, Jr.	8-K		10.1	6/11/14
10.32*	Stock Option Agreement dated as of February 24, 2016 between the Company and Raúl Alarcón.	10-K	12/31/2016	10.32	4/19/17
10.33*	Stock Option Agreement dated as of February 24, 2016 between the Company and Joseph A. García.	10-K	12/31/2016	10.33	