In addition, we own the transmitter sites for five of our eleven radio stations in Puerto Rico. We also own a tower site in Signal Hill, California where we lease space to a public broadcast station and other members of the telecommunications industry.

We lease (i) all of our other transmitter sites, with lease terms that expire between 2013 and 2044, assuming all renewal options are exercised, and (ii) the office and studio facilities for our radio stations in Chicago and San Francisco.

We lease backup transmitter facilities for our stations WSKQ-FM and WPAT-FM in New York, KLAX-FM and KXOL-FM in Los Angeles, WLEY-FM in Chicago, WRMA-FM, WCMQ-FM and WXDJ-FM in Miami, and KRZZ-FM in San Francisco.

We own the back-up transmitter site in San Juan, Puerto Rico for the five radio stations covering the San Juan metropolitan area. These backup transmitter facilities are a significant part of our disaster recovery plan to continue broadcasting to the public and to maintain our stations' revenue streams in the event of an emergency. We have a backup studio site for KRZZ-FM serving the San Francisco market in San Jose.

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, New York, Los Angeles and Puerto Rico. We lease a combined studio and tower site in Key West, Florida for WSBS-TV and a transmitter site for WSBS-CA, in Pembroke Park, Florida. 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.

See Item 13. Certain Relationships and Related Transactions.

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, and a number of these lawsuits have resulted in the payment of substantial damages. In the opinion of management, such litigation is not likely to have a material adverse effect on our business, operating results or financial condition.

Lehman Complaint

On February 14, 2013, Lehman Brothers Holding Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery seeking a declaratory judgment that a voting rights triggering event had occurred (as of August 1, 2011) under our Certificate of Designations for the Series B Preferred Stock (the "Certificate of Designations") as a result of our non-payment of dividends. The claim states that as a result of such voting rights triggering event, the incurrence of indebtedness for the purpose of purchasing our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 under the Senior Secured Note Indenture were prohibited incurrences of indebtedness under the Certificate of Designations. Additionally, LBHI seeks an award of unspecified contract damages. We deny the allegations contained in the LBHI complaint and, to the contrary, assert that we have been and continue to be in full and complete compliance with all of our obligations under the Certificate of Designations, as fully disclosed in the our public filings dating back to 2009. On March 11, 2013, we filed a motion to dismiss the complaint. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

Wolf, et al., Litigation

On November 28, 2001, named plaintiff, Mitchell Wolf brought a class action lawsuit against SBS, its underwriters, two members of SBS' senior management team, one of whom is the Chairman of SBS' Board of Directors, and another SBS director, alleging certain violations of federal securities laws, including SEC Rules 10b-5 and 11, in connection with SBS' initial public offering in 1999. The lawsuit is one of 309 similar lawsuits involving more than 300 issuers (collectively, the "Issuer Defendants"), 40 underwriters (collectively, the "Underwriter Defendants") and 1,000 individual defendants (collectively, the "Individual Defendants") which have been assigned for consolidated pretrial purposes to one judge in the United States District Court for the Southern District of New York (the "trial court"). The 10b-5 claims were since dismissed as to the Individual Defendants, and, in 2007, tolling agreements were entered into pursuant to which the Individual Defendants, including SBS' managers and directors, were dismissed from the case without prejudice in exchange for documentation showing that the Issuers had entity coverage for the period in question. Additionally, a subset of plaintiffs' Section 11 claims (alleging civil liabilities on account of false registration statements) were dismissed by the trial court and the class allegations relating to the Section 10b-5 claims were stricken with respect to several of the consolidated actions, including the action against SBS.

On October 5, 2009, the trial court issued a final order of approval of a settlement of all of the consolidated actions, including the action against SBS. Although several members of the plaintiff class initially objected to and/or appealed the settlement, all objections and appeals have since been withdrawn or dismissed with prejudice and the settlement was finalized on January 10, 2012. The settlement resulted in a release of all claims against the Underwriter Defendants and the Issuer Defendants, and their officers and directors, in exchange for an aggregate sum of approximately $600 million (the "Settlement Amount") paid into a settlement fund for the benefit of the class plaintiffs. Our share of the Settlement Amount was funded by insurance.

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

Our Class A common stock is traded on the NASDAQ Global Market under the symbol "SBSA". The tables below show, for the quarters indicated, the reported high and low bid quotes for our Class A common stock on the NASDAQ Global Market.

	2012		2011	
	High	Low	High	Low
First quarter	$7.47	2.78	12.10	7.00
Second quarter	7.50	2.78	9.80	5.80
Third quarter	7.10	2.84	7.55	1.55
Fourth quarter	3.84	1.15	4.05	0.95

(b) Record Holders

As of March 21, 2013, there were approximately 118 record holders of our Class A common stock, three record holders of our Class B common stock and one record holder of our Class C preferred stock. These figures do not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. There is no established public trading market for our Class B common stock or our Class C preferred stock. Our Class B common stock is convertible into our Class A common stock on a share-for-share basis, and each share of the Class C preferred stock is convertible into two shares of Class A common stock.

(c) Dividends

We have not declared or paid any cash or stock dividends on any class of our common stock in the last two years. We intend to retain future earnings for use in our business and do not anticipate declaring or paying any cash or stock dividends on shares of our Class A or Class B common stock in the near future. In addition, any determination to declare and pay dividends will be made by our Board of Directors based upon our earnings, financial position, capital requirements and other factors that our Board of Directors deems relevant. Furthermore, our indenture contains restrictions on our ability to pay dividends.

Under the terms of our Series C preferred stock, we are required to pay dividends on parity with our Class A common stock and Class B common stock and any other class or series of capital stock we create after December 23, 2004.

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 Series B preferred stock at a rate of 10 3/4% per year, of the $1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates.

In determining whether to declare and pay any prior or future cash dividends, our Board of Directors considers management's recommendation, our financial condition, as well as whether funds are legally available to make such payments and the dividend would otherwise be permitted under the Delaware General Corporate Law. In addition, there are certain covenants under the Indenture which governs our Notes that restrict our ability to pay more than one quarterly dividend every four consecutive fiscal quarters unless we have satisfied certain leverage ratios. Currently, we do not satisfy those ratios and do not expect to be able to satisfy those ratios in the near term.

On April 4, 2012, the Board of Directors declared a cash dividend for the dividend due April 15, 2012 to the holders of our Series B preferred stock of record as of April 1, 2012. The cash dividend of $26.875 per share was paid in cash on April 16, 2012.

On March 29, 2013, the Board of Directors declared a cash dividend for the dividend due April 15, 2013 to the holders of our Series B preferred stock of record as of April 1, 2013. The cash dividend of $26.875 per share is to be paid in cash on April 15, 2013.

Our Board of Directors, under management's recommendation, has previously determined that based on the circumstances at the time, among other things, the then current economic environment and our future cash requirements (and, in the case of the four most recent scheduled dividends, the restrictive covenants under the Indenture), it was not prudent to declare or pay the dividends scheduled for January 15, 2013, October 15, 2012, July 15, 2012, and January 15, 2012.

If dividends on our Series B preferred stock are in arrears and unpaid for four consecutive quarterly dividend periods, a "voting rights triggering event" will have occurred. Following the occurrence, and during the continuation, of a voting rights triggering event, holders of the Series B preferred stock will be entitled to elect two directors to newly created positions on our board of directors, and we will be subject to more restrictive covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. See Item 1A. Risk Factors for a further discussion of our Series B preferred stock, including the consequences of not paying such dividends.

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

Equity Compensation Plans

Information called for by Item 5 is set forth under the heading "Directors, Executive Officers and Corporate Governance" in Item 10 of this annual report and in our proxy statement relating to the 2012 Annual Meeting of Stockholders, which information is incorporated herein by this reference.

Recent Sales of Unregistered Securities

We have not made any sales of unregistered equity securities for the period covered by this annual report on Form 10-K.

Issuer Purchases of Equity Securities

We did not repurchase any of our outstanding equity securities for the period covered by this annual report on Form 10-K.

Item 6. Selected Financial Data

Not required for smaller reporting companies.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

General Overview

We own and/or operate 21 radio stations in markets that reach approximately 40% of the Hispanic population in the United States, including Puerto Rico. In addition, we broadcast via our owned and operated television stations in South Florida and Houston and through distribution agreements, including nationally on a subscriber basis, which allow us to serve markets representing over 3.5 million Hispanic households. We operate two reportable segments: radio and television.

Our radio stations are located in six of the eight most populous Hispanic markets in the United States: Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. Los Angeles and New York have the largest and second largest Hispanic populations and are also the largest and second largest radio markets in the United States measured by advertising revenue, respectively. We format the programming of each of our radio stations to capture a substantial share of the Hispanic audience in their respective markets. The U.S. Hispanic population is diverse, consisting of numerous identifiable ethnic groups from many different countries of origin, and each ethnic group has its own musical and cultural heritage. Since the music, culture, customs and Spanish dialects vary from one radio market to another, we strive to maintain familiarity with the musical tastes and preferences of each of the various Hispanic ethnic groups. To accommodate and monetize such diversity, we customize our programming to match the local preferences of our target demographic audience in each market we serve. For the years ended 2012 and 2011, our radio revenue was generated primarily from the sale of local, national and network advertising, and our radio segment generated 87% of our consolidated net revenue.

Our television stations and related affiliates operate under the "MegaTV" brand. We have created a unique television format which focuses on entertainment, current events and variety with high-quality content. Our programming is formatted to capture a larger share of the U.S. Hispanic audience by focusing on our core strengths as an "entertainment" company, thus offering a new alternative compared to the traditional Hispanic television channels. MegaTV's programming is based on a strategy designed to showcase a combination of programs, ranging from televised radio-branded shows to general entertainment programs, such as music, celebrity, debate, interviews and personality based shows. As part of our strategy, we have incorporated certain of our radio on-air personalities into our television programming. In addition, we have included interactive elements into our programming to complement our Internet websites. We produce over 50 hours of original programming per week. For the years ended 2012 and 2011, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 13% of our consolidated net revenues.

As part of our operating business, we also own 21 bilingual websites, including www.lamusica.com, Mega.tv and various station websites that provide content related to Latin music, entertainment, news and culture. LaMusica.com and our network of station websites generate revenue primarily from advertising and sponsorship. In addition, the majority of our station websites simultaneously stream our stations' content, which has broadened the audience reach of our radio stations. In addition, we produce live concerts and events in the United States and Puerto Rico. Concerts generate revenue from ticket sales, sponsorship and promotions while raising awareness of our brands in the surrounding communities. These distinct offerings provide additional synergistic opportunities for our advertising partners to reach their targeted audiences.

Business Drivers and Financial Statement Presentation

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

Net Revenue Description and Factors

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

- Local revenue generally consists of advertising airtime sold in a station's local market either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid-programming (or infomercials). For the years ended 2012 and 2011, local revenue comprised 67% – 68% of our gross revenue.
- National and network revenue generally consists of advertising airtime sold to agencies purchasing advertising for multiple markets. National sales are generally facilitated by our national representation firm, which serves as our agent in these transactions. For the years ended 2012 and 2011, national revenue comprised 17% of our gross revenue. Network sales generally consists of advertising airtime sold to our network sales partner and for the years ended 2012 and 2011, comprised 3%—5% of our gross revenue.

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

Our advertising rates are primarily based on the following factors:

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

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

In addition to advertising revenue, we also generate revenue from barter sales, special events revenue, interactive revenue, syndication revenue, subscriber revenue and other revenue. For the years ended 2012 and 2011, these revenues combined comprised approximately 11% – 12% of our gross revenue.

- *Barter sales.* We use barter sales agreements to reduce cash paid for operating costs and expenses by exchanging advertising airtime for goods or services. However, we endeavor to minimize barter revenue in order to maximize cash revenue from our available airtime.
- *Special events revenue.* 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 events promoted by our radio and television stations.
- *Interactive revenue.* We derive internet revenue from our websites through the sale of advertiser promotions and advertising on our websites and the sale of advertising airtime during audio streaming of our radio stations over the internet.
- *Syndication revenue.* We receive syndication revenue from licensing various MegaTV content internationally.
- *Subscriber revenue.* We receive subscriber revenue in the form of a per subscriber based fee, which is paid to us by cable and satellite providers.
- *Other revenue.* We receive other ancillary revenue such as rental income from renting available tower space or sub-channels.

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, broadcasting rights 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 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. Also, in our pursuit to control our operating expenses, we work closely with our local station management and vendors.

Year Ended 2012 Compared to Year Ended 2011

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

	2012	2011
Net revenue:		
Radio	$121,414	123,155
Television	18,108	17,829
Consolidated	$139,522	140,984
Engineering and programming expenses:		
Radio	$ 20,101	22,488
Television	11,144	14,993
Consolidated	$ 31,245	37,481
Selling, general, and administrative:		
Radio	$ 49,108	43,637
Television	8,521	8,796
Consolidated	$ 57,629	52,433
Corporate expenses	$ 7,507	7,247
Depreciation and amortization:		
Radio	$ 2,062	2,267
Television	2,999	2,629
Corporate	403	540
Consolidated	$ 5,464	5,436
(Gain) loss on disposal of assets, net:		
Radio	$ (15)	(8)
Television	—	6
Corporate	—	(8)
Consolidated	$ (15)	(10)
Impairment of assets and restructuring costs:		
Radio	$ 48	—
Television	11	—
Corporate	383	207
Consolidated	$ 442	207
Operating (loss) income:		
Radio	$ 50,110	54,771
Television	(4,567)	(8,595)
Corporate	(8,293)	(7,986)
Consolidated	$ 37,250	38,190

The following summary table presents a comparison of our operating results of operations for the years ended December 31, 2012 and 2011. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and notes.

	2012	2011
	(In thousands)	
Net revenue	$139,522	140,984
Engineering and programming expenses	31,245	37,481
Selling, general, and administrative expenses	57,629	52,433
Corporate expenses	7,507	7,247
Depreciation and amortization	5,464	5,436
(Gain) loss on disposal of assets, net	(15)	(10)
Impairment of assets and restructuring costs	442	207
Operating income	37,250	38,190
Interest expense, net	(36,543)	(8,182)
Loss on early extinguishment of debt	(391)	—
Income tax expense	1,597	6,306
Net (loss) income	$ (1,281)	23,702

Net Revenue

The decrease in our consolidated net revenues of $1.5 million or 1% was due to the decrease in our radio segment net revenues. Our radio segment net revenues decreased by $1.7 million or 1%, primarily due to decreases in national and network sales, and special events revenue, offset by increases in barter, interactive and local sales. The decrease in national sales took place mainly in our New York and Chicago markets and the decrease in network sales occurred throughout all of our markets. The decrease in special events revenue occurred in our Puerto Rico, Los Angeles and New York markets. The increases in barter and interactive sales took place throughout all of our markets and the increase in local sales was mainly in our New York, Los Angeles and Puerto Rico markets. Our television segment net revenues increased $0.3 million or 2%, largely due to increases in paid-programming, sub-channel rental revenue, barter and interactive sales, offset by decreases in national, local and integrated sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $6.2 million or 17% was due to the decreases in both our radio and television segments expenses. Our television segment expenses decreased $3.8 million or 26%, mainly due to decreases in originally produced programming costs, compensation and benefits, and a reduction in broadcasting rights fees related to our former New York, Puerto Rico and Chicago outlets. Our radio segment expenses decreased $2.4 million or 9%, primarily due to decreases in music license fees and legal settlements.

Selling, General, and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of $5.2 million or 10% was due to the increase in our radio segment expenses. Our radio segment expenses increased $5.5 million or 13%, mainly due to increases in local and national commissions, barter expense, and compensation and benefits, offset by decreases in special events expenses and professional fees. Our television segment expenses decreased $0.3 million or 3%, primarily due to decreases in compensation and benefits, advertising and promotions, and facilities expenses, offset by an increase in barter expenses.

Corporate Expenses

The increase in corporate expenses of $0.3 million or 4% was primarily a result of the increase in compensation and benefits related to bonuses awarded for the successful 2012 debt refinancing, offset by decreases in professional fees and rent expense.

Impairment of Assets and Restructuring Costs

The impairment charges and restructuring costs were largely related to an impairment charge recognized on the sub-lease of leased corporate office space.

Operating Income

The decrease in operating income of $0.9 million or 2% was mainly due to the decrease in net revenues.

Interest Expense, Net

The increase in interest expense of $28.4 million was due to the increase in our interest rate and amortization of deferred financing costs related to our new 12.5% senior secured notes due 2017 (the "Notes"). On February 7, 2012, we issued $275 million in aggregate principal amount of the Notes at an issue price of 97% of the principal amount. We used the net proceeds from this offering, together with cash on hand, to repay and terminate the senior credit facility term loan, and to pay the transaction costs related to this offering. Our Notes have an effective interest rate of approximately 13.3%, including the original issue discount. We also incurred approximately $17.6 million in transaction costs, which is being amortized over the life of our Notes and recorded as interest expense.

Loss on Early Extinguishment of Debt

The loss on the early extinguishment of debt was due to the write-off of unamortized deferred financing costs related to the repayment and termination of the senior credit facility, on February 7, 2012.

Income Tax Expense

The decrease in income tax expense of $4.7 million was primarily a result of the decrease in our FCC broadcasting licenses tax amortization.

Net Income

The decrease in net income was primarily due to the increase in interest expense and decrease of operating income.

Liquidity and Capital Resources

Our primary sources of liquidity are our current cash and cash equivalents and the cash expected to be provided by operations. We do not currently have a revolving credit facility or other working capital lines of credit. Our cash flow from operations is subject to factors impacting our customers and target audience, such as overall advertising demand, shifts in population, station listenership and viewership, demographics, audience tastes and fluctuations in preferred advertising media. Our ability to raise funds by increasing our indebtedness is limited by the terms of the Certificate of Designations governing our Series B preferred stock and by the terms of the Indenture governing the Notes. Additionally, our Certificate of Designations and the Indenture governing the Notes place restrictions on us with respect to the sale of assets, liens, investments, dividends, debt repayments, transactions with affiliates, and consolidations and mergers, among other things.

Our strategy is to primarily utilize cash flows from operations to meet our capital needs and contractual 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 operating obligations over the next twelve month period, including, among other things, required semi-annual interest payments pursuant to the Notes and capital expenditures, excluding the repurchase of our Series B preferred stock. Disruptions in the capital and credit markets may result in increased borrowing costs associated with our short-term and long-term debt.

Assumptions (none of which can be assured) which underlie management's beliefs, include the following:

- we will continue to successfully implement our business strategy;
- we will not use cash flows from operating activities to repurchase 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 evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution and affiliations in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. We engage 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. We anticipate that any future acquisitions would be financed through funds generated from permitted debt financing, equity financing, operations, asset sales or a combination of these or other available sources. However, there can be no assurance that financing from any of these sources, if necessary and available, can be obtained on favorable terms.

Refinancing of Company's Debt

On February 7, 2012 we closed our offering of $275 million in aggregate principal amount of 12.5% senior secured notes due 2017 (the "Notes") at an issue price of 97% of the principal amount. The Notes were offered solely by means of a private placement either to qualified institutional buyers in the United States pursuant to Rule 144A under the Securities Act, or to certain persons outside the United States pursuant to Regulation S under the Securities Act. We used the net proceeds from the offering, together with cash on hand, to repay and terminate the senior credit facility term loan (the "First Lien Credit Facility"), and to pay the transaction costs related to the offering. As a result of the repayment and termination of the First Lien Credit Facility, we recognized a loss on early extinguishment of debt related to the write-off of unamortized deferred financing costs of approximately $0.4 million during the year ended December 31, 2012.

Interest— The Notes accrue interest at a rate of 12.5% per year. Interest on the Notes is paid semi-annually on each April 15 and October 15, commencing on April 15, 2012. After April 15, 2013, interest will accrue at a rate of 12.5% per annum on (i) the original amount of the Notes plus (ii) any Additional Interest (as defined below) payable but unpaid in any prior interest period, payable in cash on each interest payment date. Further, beginning on the interest payment date occurring on April 15, 2013, additional interest will be payable at a rate of 2.00% per annum (the "Additional Interest") on (i) the original principal amount of the Notes plus (ii) any amount of Additional Interest payable but unpaid in any prior interest period, to be paid in cash, at our election, (x) on the applicable interest payment date or (y) on the earliest of the maturity date of the Notes, any acceleration of the Notes and any redemption of the Notes; provided that no Additional Interest will be payable on any interest payment date if, for the applicable fiscal period, either (a) we record positive consolidated station operating income for our television segment or (b) our secured leverage ratio on a consolidated basis is less than 4.75 to 1.00.

Collateral and Ranking—The Notes and the guarantees are secured on a first-priority basis by a security interest in certain of the Company's and the guarantors' existing and future tangible and intangible assets (other than "Excluded Assets" (as defined in the Indenture)). The Notes and the guarantees are structurally subordinated to the obligations of our non-guarantor subsidiaries. The Notes and guarantees are senior to all of the Company's and the guarantors' existing and future unsecured indebtedness to the extent of the value of the collateral.

The Indenture permits us, under specified circumstances, to incur additional debt in the future. The amount of such debt is limited by the covenants contained in the Indenture.

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 will be fully and unconditionally guaranteed by each of our existing and future 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 nonguarantor subsidiaries.

Covenants and Other Matters – The Indenture governing the Notes contains covenants that, among other things, limit our ability and the ability of the guarantors to:

- incur or guarantee additional indebtedness;
- pay dividends and make other restricted payments;
- incur restrictions on the payment of dividends or other distributions from our restricted subsidiaries;
- engage in sale-lease back transactions;
- enter into new lines of business;
- make certain payments to holders of notes that consent to amendments to the indenture governing the notes without paying such amounts to all holders of notes;
- create or incur certain liens;
- make certain investments and acquisitions;
- transfer or sell assets;
- engage in transactions with affiliates; and
- merge or consolidate with other companies or transfer all or substantially all of our assets.

The Indenture contains certain customary representations and warranties, affirmative covenants and events of default which could, subject to certain conditions, cause the Notes to become immediately due and payable, including, but not limited to, the failure to make premium or interest payments; failure by the Company to accept and pay for Notes tendered when and as required by the change of control and asset sale provisions of the Indenture; failure to comply with certain covenants in the Indenture; failure to comply with certain agreements in the Indenture for a period of 60 days following notice by the Trustee or the holders of not less than 25% in aggregate principal amount of the Notes then outstanding; failure to pay any debt within any applicable grace period after the final maturity or acceleration of such debt by the holders thereof because of a default, if the total amount of such debt unpaid or accelerated exceeds $15 million; failure to pay final judgments entered by a court or courts of competent jurisdiction aggregating $15 million or more (excluding amounts covered by insurance), which judgments are not paid, discharged or stayed, for a period of 60 days; and certain events of bankruptcy or insolvency.

Potential Impact on the Liquidity of Our Series B Preferred Stock

On October 15, 2013, each holder of Series B preferred stock will have the right to require us to redeem all or a portion of such holder's Series B preferred stock at a purchase price of 100% of the liquidation preference thereof, plus accumulated and unpaid dividends. If the holders of shares of Series B preferred stock request that we repurchase all or a portion of their Series B preferred stock we may not be able to do so due to the existing covenants in the Indenture governing our Notes and our lack of legally available funds. We are currently exploring alternatives to restructure or refinance the Series B Preferred Stock prior to its redemption date. There is no assurance that we will be able to do so. If we fail to discharge our repurchase obligation with respect to the Series B preferred stock upon a valid request, then a voting rights triggering event will occur.

Following the occurrence, and during the continuation, of a "voting rights triggering event," holders of the Series B preferred stock will be entitled to elect two directors to newly created positions on our board of directors, and we will be subject to more restrictive covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. See Item 1A. Risk Factors for a further discussion of our Series B preferred stock, including the consequences of not paying such dividends.

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the years ended December 31, 2012 and 2011, with respect to certain of our key measures affecting our liquidity. The changes set forth in the table are discussed below. This section should be read in conjunction with the consolidated financial statements and accompanying notes.

	2012	2011	Change
	(In thousands)		
Capital expenditures:			
Radio	$ 407	822	(415)
Television	937	1,757	(820)
Corporate	247	156	91
Consolidated	$ 1,591	2,735	(1,144)
Net cash flows provided by operating activities	$ 14,563	33,012	(18,449)
Net cash flows used in investing activities	(1,581)	(10,698)	9,117
Net cash flows used in financing activities	(57,588)	(6,188)	(51,400)
Net (decrease) increase in cash and cash equivalents	$(44,606)	16,126	(60,732)

Capital Expenditures

The decrease in our capital expenditures is primarily related to the absence in 2012 of the 2011 build out of our Puerto Rico television studios.

Net Cash Flows Provided by Operating Activities

Changes in our net cash flows from operating activities were primarily a result of the increase in cash paid to vendors, including interest, offset by a decrease in cash collected from trade sales.

Net Cash Flows Used in Investing Activities

Changes in our net cash flows from investing activities were a result of the decrease in our capital expenditures. The decrease in our capital expenditures is primarily related to the absence in 2012 of the 2011 build out of our Puerto Rico television studios and the acquisition of Houston television station KTBU-TV and its related equipment.

Net Cash Flows Used in Financing Activities

Changes in our net cash flows from financing activities were a result of the 2012 refinancing. On February 7, 2012, we issued $275 million in aggregate principal amount of 12.5% senior secured notes due 2017 at an issue price of 97% of the principal amount. We used the net proceeds from this offering, together with cash on hand, to repay and terminate the senior credit facility, and to pay the transaction costs related to this offering.

Common and Preferred Stock

As of December 31, 2012, we had the following series of capital stock outstanding:

- 92,349 issued shares of 10 3/4% Series B cumulative exchangeable redeemable preferred stock with an aggregate liquidation preference of $92.3 million and accumulated and unpaid dividends of $29.4 million;
- 380,000 shares of Series C convertible preferred stock, par value $0.01 per share, which are convertible into 760,000 shares of Class A common stock and vote on an as-converted basis with the common stock;
- 4,166,991 shares of Class A common stock; and
- 2,340,353 shares of Class B common stock, which have ten votes per share. Raúl Alarcón, our Chief Executive Officer and the Chairman of our Board of Directors, has voting control over all but 350 shares of the Class B common stock.

Recent Developments

Lehman Complaint

On February 14, 2013, Lehman Brothers Holding Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery seeking a declaratory judgment that a voting rights triggering event had occurred (as of August 1, 2011) under our Certificate of Designations for the Series B Preferred Stock (the "Certificate of Designations") as a result of our non-payment of dividends. The claim states that as a result of such voting rights triggering event, the incurrence of indebtedness for the purpose of purchasing our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 under the Senior Secured Note Indenture were prohibited incurrences of indebtedness under the Certificate of Designations. Additionally, LBHI seeks an award of unspecified contract damages. We deny the allegations contained in the LBHI complaint and, to the contrary, assert that we have been and continue to be in full and complete compliance with all of our obligations under the Certificate of Designations, as fully disclosed in the our public filings dating back to 2009. On March 11, 2013, we filed a motion to dismiss the complaint. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

NASDAQ Delisting Letter

On October 3, 2012, we received a written deficiency notice (the "Notice") from the NASDAQ Global Market ("NASDAQ") advising us that the market value of our Class A common stock for the previous 30 consecutive business days had been below the minimum $15,000,000 required for continued listing on the NASDAQ Global Market pursuant to NASDAQ Listing Rule 5450(b)(3)(C) (the "Rule").

Pursuant to NASDAQ Listing Rule 5810(c)(3)(D), we were provided an initial grace period of 180 calendar days, or until April 1, 2013, to regain compliance with the Rule. We did not regain compliance with the Rule by April 1, 2013. On March 29, 2013, we filed an application to be listed on the NASDAQ Capital Market. If the application is approved by NASDAQ, our Class A common stock will continue to be listed on the NASDAQ Global Market until it is switched to the NASDAQ Capital Market, which is expected to occur in April 2013. We expect the application to be approved, but there can be no guarantee that it will be. If our application is not approved, NASDAQ will provide written notification to us that our Class A common stock is subject to delisting from the NASDAQ Global Market, at which time we will have an opportunity to appeal the determination to a NASDAQ Hearings Panel.

We have not yet decided whether we would request a hearing or permit our Class A common stock to be delisted. If the Class A common stock were to be delisted, it could negatively affect the liquidity and price of the Class A common stock.

Dividend Payment on the Series B Preferred Stock

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 Series B preferred stock at a rate of 10 3/4% per year, of the $1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates.

In determining whether to declare and pay any prior or future cash dividends, our Board of Directors considers management's recommendation, our financial condition, as well as whether funds are legally available to make such payments and the dividend would otherwise be permitted under the Delaware General Corporate Law. In addition, there are certain covenants under the Indenture which governs our Notes that restrict our ability to pay more than one quarterly dividend every four consecutive fiscal quarters unless we have satisfied certain leverage ratios. Currently, we do not satisfy those ratios and do not expect to be able to satisfy those ratios in the near term.

On April 4, 2012, the Board of Directors declared a cash dividend for the dividend due April 15, 2012 to the holders of our Series B preferred stock of record as of April 1, 2012. The cash dividend of $26.875 per share was paid in cash on April 16, 2012.

On March 29, 2013, the Board of Directors declared a cash dividend for the dividend due April 15, 2013 to the holders of our Series B preferred stock of record as of April 1, 2013. The cash dividend of $26.875 per share is to be paid in cash on April 15, 2013.

Our Board of Directors, under management's recommendation, has previously determined that based on the circumstances at the time, among other things, the then current economic environment and our future cash requirements (and, in the case of the four most recent scheduled dividends, the restrictive covenants under the Indenture), it was not prudent to declare or pay the dividends scheduled for January 15, 2013, October 15, 2012, July 15, 2012, and January 15, 2012.

If dividends on our Series B preferred stock are in arrears and unpaid for four consecutive quarterly dividend periods, a "voting rights triggering event" will have occurred. Following the occurrence, and during the continuation, of a voting rights triggering event, holders of the Series B preferred stock will be entitled to elect two directors to newly created positions on our board of directors, and we will be subject to more restrictive covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. See Item 1A. Risk Factors for a further discussion of our Series B preferred stock, including the consequences of not paying such dividends.

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.

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 Telecommunications Act of 1996 (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 FASB ASC Topic 350, *Intangibles – Goodwill and Other* (ASC 350), we do not amortize our FCC broadcasting licenses. We test these indefinite-lived intangible assets for impairment at least annually or when an event occurs that may indicate that impairment may have occurred. We test our FCC broadcasting licenses for impairment at the market cluster level. 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 December 31 of each year. A risk premium is added to this base rate, in order to reflect the uncertainty associated with a start-up operation. 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 of 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 2013 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 10.5% for radio licenses and 11.0% for television licenses were used to calculate the present value of the net after-tax cash flows. The discount rates are based on an after-tax rate determined using the weighted average cost of capital model as of December 31, 2012. 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 $11.3 million.

As of December 31, 2012, the percentage by which the fair value of our FCC broadcasting licenses exceeded (or equaled) their carrying values were as follows:

Market 1	9%
Market 2	39%
Market 3	11%
Market 4	41%
Market 5	2%
Market 6	2%
Market 7	38%
Market 8	21%

Goodwill consists of the excess of the purchase price over the fair value of tangible and identifiable intangible net assets acquired in business combinations. ASC 350 requires us to test goodwill for impairment at least annually at the reporting unit level in lieu of being amortized. We have determined that we have two reporting units under ASC 350, *Radio and Television*. We currently only have goodwill in our radio reporting unit. We have aggregated our operating components (radio stations) into a single radio reporting unit based upon the similarity of their economic characteristics, including consideration of the requirements in FASB ASC 280, *Segment Reporting*, as required by ASC 350. Our evaluation included consideration of factors such as regulatory environment, business model, gross margins, nature of services and the process for delivering these services.

The goodwill impairment test is a two-step test. Under the first step, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the fair value of the reporting unit is less than its carrying value, an indication of goodwill impairment exists for the reporting unit and the enterprise must perform step two of the impairment test (measurement). If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed. Under step two, an impairment loss is recognized for any excess of the carrying amount of the reporting unit's goodwill over the implied fair value of that goodwill. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. Fair value of the reporting unit is determined using a discounted cash flow analysis. If the fair value of the reporting unit exceeds its carrying value, step two does not need to be performed.

During the years ended December 31, 2012 and 2011, we performed interim and/or annual impairment reviews of our goodwill and determined that there was no impairment of goodwill. The estimated enterprise value of our radio reporting unit exceeded its carrying value during our impairment testing. In addition, there is currently a net accumulated deficit in our radio reporting unit and we have a net overall accumulated deficit; therefore we considered whether there were any adverse qualitative factors that would indicate that an impairment existed. When evaluating our estimated enterprise value, we utilized an income approach which uses assumptions and estimates which among others include the aggregated expected revenues and operating margins generated by our FCC broadcasting licenses (i.e. our stations) and use of a risk adjusted discount rate. We did not find reconciliation to our current market capitalization meaningful in the determination of our enterprise value given current factors that impact our market capitalization, including but not limited to: (1) our recent NASDAQ delisting notice; (2) limited trading volume; (3) the impact of our television segment operating losses; and (4) the significant voting control of our Chairman and CEO.

Accounting for Income Taxes

The preparation of our consolidated financial statements requires us to estimate our actual current tax exposure together with our temporary differences resulting from differing treatment of items for financial statement and tax reporting purposes. These temporary differences result in the recognition of deferred tax assets and liabilities, which are included in our consolidated balance sheets. FASB ASC 740, *Income Taxes*, requires the establishment of a valuation allowance to reflect the likelihood of the realization of deferred tax assets. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our net deferred tax assets. We evaluate the weight of all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax assets will not be realized. As a result of adopting FASB ASC Topic 350, *Intangibles – Goodwill and Other*, amortization of intangible assets and goodwill ceased for financial statement purposes. As a result, we could not be assured that the reversals of the deferred tax liabilities relating to those intangible assets and goodwill would occur within our net operating loss carry-forward period. Therefore, on the date of adoption, we established a valuation allowance for substantially all of our deferred tax assets due to uncertainties surrounding our ability to utilize some or all of our deferred tax assets, primarily consisting of net operating losses, as well as other temporary differences between financial statement and tax reporting purposes. We expect to continue to reserve for any increase in our deferred tax assets in the foreseeable future. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made. In the event that actual results differ from these estimates or we adjust these estimates in future periods, we may need to adjust our valuation allowance, which could materially affect our financial position and results of operations.

Valuation of Accounts Receivable

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

Revenue Recognition

We recognize broadcasting revenue as advertisements are aired on our stations, subject to meeting certain conditions such as persuasive evidence that an agreement exists, a fixed and determinable price, and reasonable assurance of collection. Agency commissions, where applicable, are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency and the agency remits gross billings, less their commission, to us when the advertisement is not placed directly by the advertiser. Payments received in advance of being earned are recorded as customer advances.

Contingencies and Litigations

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

New Accounting Standards

In July 2012, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2012-02, Intangibles—Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment. This ASU permits an entity the option to first assess qualitative factors to determine whether the existence of events and circumstances indicates that it is more likely than not that the indefinite-lived intangible asset is impaired. If, after assessing the totality of events and circumstances an entity concludes that it is not more likely than not that the indefinite-lived intangible asset is impaired, then the entity is not required to take further action. However, if an entity concludes otherwise, then it is required to determine the fair value of the indefinite-lived intangible asset and perform the quantitative impairment test by comparing the fair value with the carrying amount. The ASU is effective for annual and interim impairment tests performed for fiscal years beginning after September 15, 2012. We implemented the provisions of ASU 2012-02 as of January 1, 2013 and did not have a material impact on our consolidated financial statements.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for each of the years ended December 31, 2012 and 2011, respectively. However, there can be no assurance that inflation will not have an adverse impact on our future operating results and financial condition.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Not required for smaller reporting companies.

Item 8. Financial Statements and Supplementary Data

The information called for by this Item 8 is included in Item 15, under "Financial Statements" and "Financial Statement Schedule" appearing at the end of this annual report on Form 10-K.

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

None.

Item 9A. Controls and Procedures

Conclusion Regarding the Effectiveness of Disclosure Control and Procedures

Disclosure controls and procedures are designed to ensure that information required to be disclosed in our periodic reports or filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the required time periods. As of December 31, 2012, the end of the period covered by this report, we carried out an evaluation under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective. We review our disclosure controls and procedures on an ongoing basis and may, from time to time, make changes aimed at enhancing their effectiveness to ensure that they evolve with our business.

Management's Report on Internal Control over Financial Reporting

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

Because of its inherent limitations, internal control over financial reporting, no matter how well designed, may not prevent or detect misstatements and can only provide reasonable assurance with respect to financial statement preparation and presentation even when those systems are determined to be effective. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that such controls may become inadequate because of changes in conditions. In addition, the degree of compliance with the policies and procedures may deteriorate. These inherent limitations are an intrinsic part of the financial reporting process. Therefore, although we are unable to eliminate this risk, it is possible to develop safeguards to reduce it. We are responsible for establishing and maintaining adequate internal control over financial reporting for the Company.

Under the supervision of and with the participation of our management, we assessed the Company's internal control over financial reporting, based on criteria for effective internal control over financial reporting described in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our evaluation, we concluded that we maintained effective internal control over financial reporting as of December 31, 2012 in accordance with the COSO criteria.

Attestation Report of the Registered Public Accounting Firm

Not required for smaller reporting companies.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting occurred during the fourth quarter of the year ended December 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

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

Item 11. Executive Compensation

Information called for by Item 11 is 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 for by Item 12 is 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 for by Item 13 is set forth in our Proxy Statement, which information is incorporated herein by this reference.

Item 14. Principal Accountant Fees and Services

Information called for by Item 14 is 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 report:

- Report of Independent Registered Public Accounting Firm;
- Consolidated Balance Sheets as of December 31, 2012 and 2011;
- Consolidated Statements of Operations and Comprehensive (Loss) Income for the years ended December 31, 2012 and 2011;
- Consolidated Statements of Changes in Stockholders' Deficit for the years ended December 31, 2012 and 2011;
- Consolidated Statements of Cash Flows for the years ended December 31, 2012 and 2011; 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 report:

- Report of Independent Registered Public Accounting Firm;
- 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 follows the signature page of this report.

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Spanish Broadcasting System, Inc.:

We have audited the accompanying consolidated balance sheets of Spanish Broadcasting System, Inc. and subsidiaries (the Company) as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive (loss) income, changes in stockholders' deficit, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spanish Broadcasting System, Inc. and subsidiaries as of December 31, 2012 and 2011, and the results of their operations and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Miami, Florida
April 1, 2013
Certified Public Accountants

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Balance Sheets

December 31, 2012 and 2011

(In thousands, except share data)

	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	$ 26,660	71,266
Receivables:		
Trade	27,638	24,014
Barter	377	627
	28,015	24,641
Less allowance for doubtful accounts	1,592	844
Net receivables	26,423	23,797
Prepaid expenses and other current assets	2,161	4,354
Total current assets	55,244	99,417
Property and equipment, net	38,014	41,743
FCC broadcasting licenses	323,055	323,055
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $642 in 2012 and $380 in 2011	1,906	2,168
Deferred financing costs, net of accumulated amortization of $3,015 in 2012 and $7,137 in 2011	14,601	465
Other assets	1,792	1,858
Total assets	$ 467,418	501,512
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 16,275	16,783
Accrued interest	7,339	280
Unearned revenue	527	914
Other liabilities	669	795
Current portion of the senior credit facility term loan due 2012	—	36,313
Current portion of other long-term debt	3,009	3,039
Series B cumulative exchangeable redeemable preferred stock dividends payable	29,369	21,923
Total current liabilities	57,188	80,047
Other liabilities, less current portion	802	603
Derivative instruments	816	740
Senior credit facility term loan due 2012, less current portion	267,806	266,750
Other long-term debt, less current portion	8,262	11,271
Deferred income taxes	86,049	84,368
Total liabilities	420,923	443,779
Commitments and contingencies (notes 13, 15, and 17)		
Cumulative exchangeable redeemable preferred stock:		
10 3/4% Series B cumulative exchangeable redeemable preferred stock, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares; 92,349 shares issued and outstanding at December 31, 2012 and 2011, respectively	92,349	92,349
Stockholders' deficit:		
Series C convertible preferred stock, $0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at December 31, 2012 and 2011, respectively	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at December 31, 2012 and 2011, respectively	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at December 31, 2012 and 2011, respectively	—	—
Additional paid-in capital	525,281	525,235
Accumulated other comprehensive loss, net	(816)	(740)
Accumulated deficit	(570,323)	(559,115)
Total stockholders' deficit	(45,854)	(34,616)
Total liabilities and stockholders' deficit	$ 467,418	501,512

See accompanying notes to consolidated financial statements.