

EXPLANATORY NOTE

This Amendment No. 1 amends the Annual Report on Form 10-K for the year ended December 31, 2012, of Spanish Broadcasting System, Inc. (also referred to as "SBS," the "Company," "we," "us" or "our") which was filed with the Securities and Exchange Commission (the "SEC") on April 1, 2013 (the "Original 10-K"). SBS is filing this Amendment No. 1 to correct a typographical error found in the labeling and merging of a line item on the Consolidated Balance Sheets as of December 31, 2012 and 2011 whereby the line item in the Original 10-K that read "Senior credit facility term loan due 2012, less current portion" was merged with what should have been a separate line item that read "12.5% senior secured notes due 2017, net of unamortized discount of \$7,194 in 2012". We are also filing this Amendment No. 1 to amend the Report of Independent Registered Public Accounting Firm related to the consolidated *Financial Statement Schedule - Valuation and Qualifying Accounts* and Exhibit 23.1, the Consent of Independent Registered Public Accounting Firm, to provide the name and electronic signature of KPMG LLP. In addition, as required by Rule 12b-15 under the Securities Exchange Act of 1934, as amended, new certifications by our principal executive officer and principal financial officer are filed as exhibits to this Form 10-K/A.

This Amendment No. 1 does not include the entire Form 10-K. Except as described in this Explanatory Note, this Amendment No. 1 does not amend any other information set forth in the Original 10-K, and the Company has not updated disclosures to reflect any events that occurred subsequent to April 1, 2013. Therefore, this Amendment No. 1 should be read in conjunction with our Original 10-K and our other filings made with the SEC subsequent to the filing of the Original 10-K.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)

1. Financial Statements

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

- Consolidated Balance Sheets as of December 31, 2012 and 2011

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

3. The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith:

<u>Exhibit number</u>	<u>Exhibit description</u>
23.1	Consent of KPMG LLP.
31.1	Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Chief Executive Officer's Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Chief Financial Officer's Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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

Consolidated Balance Sheets

December 31, 2012 and 2011

(In thousands, except share data)

	<u>2012</u>	<u>2011</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 26,660	71,266
Receivables:		
Trade	27,638	24,014
Barter	377	627
	<u>28,015</u>	<u>24,641</u>
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	<u>\$ 467,418</u>	<u>501,512</u>
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
12.5% senior secured notes due 2017, net of unamortized discount of \$7,194 in 2012	267,806	—
Senior credit facility term loan due 2012, less current portion	—	266,750
Other long-term debt, less current portion	8,262	11,271
Deferred income taxes	86,049	84,368
Total liabilities	<u>420,923</u>	<u>443,779</u>
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	<u>\$ 467,418</u>	<u>501,512</u>

See accompanying notes to consolidated financial statements.

Report of Independent Registered Public Accounting Firm

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

Under date of April 1, 2013, we reported on the 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, which report appears in the December 31, 2012 Annual Report on Form 10-K of the Company. In connection with our audits of the aforementioned consolidated financial statements, we also audited the related consolidated *Financial Statement Schedule - Valuation and Qualifying Accounts* in the December 31, 2012 Annual report on Form 10-K. This financial statement schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this financial statement schedule based on our audits.

In our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

/s/ KPMG LLP

Miami, Florida
April 1, 2013
Certified Public Accountants

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

April 12, 2013

SPANISH BROADCASTING SYSTEM, INC.

By: /s/ Joseph A. García

Joseph A. García

Chief Financial Officer, Chief Administrative Officer,
Senior Executive Vice President and Secretary

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

Exhibit Index

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32.2	Chief Financial Officer's Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Spanish Broadcasting System, Inc.:

We consent to the incorporation by reference in the registration statement (No. 333-144286) on Form S-8 of Spanish Broadcasting System, Inc. (the Company) of our reports dated April 1, 2013, with respect to the consolidated balance sheets of Spanish Broadcasting System, Inc. and subsidiaries as of December 31, 2012 and 2011, and the related consolidated statements of operations and comprehensive (loss) income, stockholders' deficit and cash flows, for the years then ended, and the related financial statement schedule, which reports appear in the December 31, 2012, annual report on Form 10-K of the Company.

/s/ KPMG LLP

Miami, Florida
April 1, 2013
Certified Public Accountants

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Raúl Alarcón, Jr., certify that:

1. I have reviewed this annual report on Form 10-K/A for the year ended December 31, 2012 of Spanish Broadcasting System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Raúl Alarcón, Jr.

Name: Raúl Alarcón, Jr.

Title: Chief Executive Officer and President

Date: April 12, 2013

**CERTIFICATION OF CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Joseph A. García, certify that:

1. I have reviewed this annual report on Form 10-K/A for the year ended December 31, 2012 of Spanish Broadcasting System, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ Joseph A. García

Name: Joseph A. García

Title: Chief Financial Officer, Chief Administrative Officer,
Senior Executive Vice President and Secretary

Date: April 12, 2013

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Spanish Broadcasting System, Inc. (the "Company") on Form 10-K/A for the period ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Raúl Alarcón, Jr., as Chairman of the Board of Directors, President and Chief Executive Officer of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Raúl Alarcón, Jr.

Name: Raúl Alarcón, Jr.

Title: Chief Executive Officer and President

Date: April 12, 2013

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Spanish Broadcasting System, Inc. (the "Company") on Form 10-K/A for the period ended December 31, 2012, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph A. García, as Chief Financial Officer, Chief Administrative Officer, Senior Executive Vice President and Secretary of the Company, certify to the best of my knowledge, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

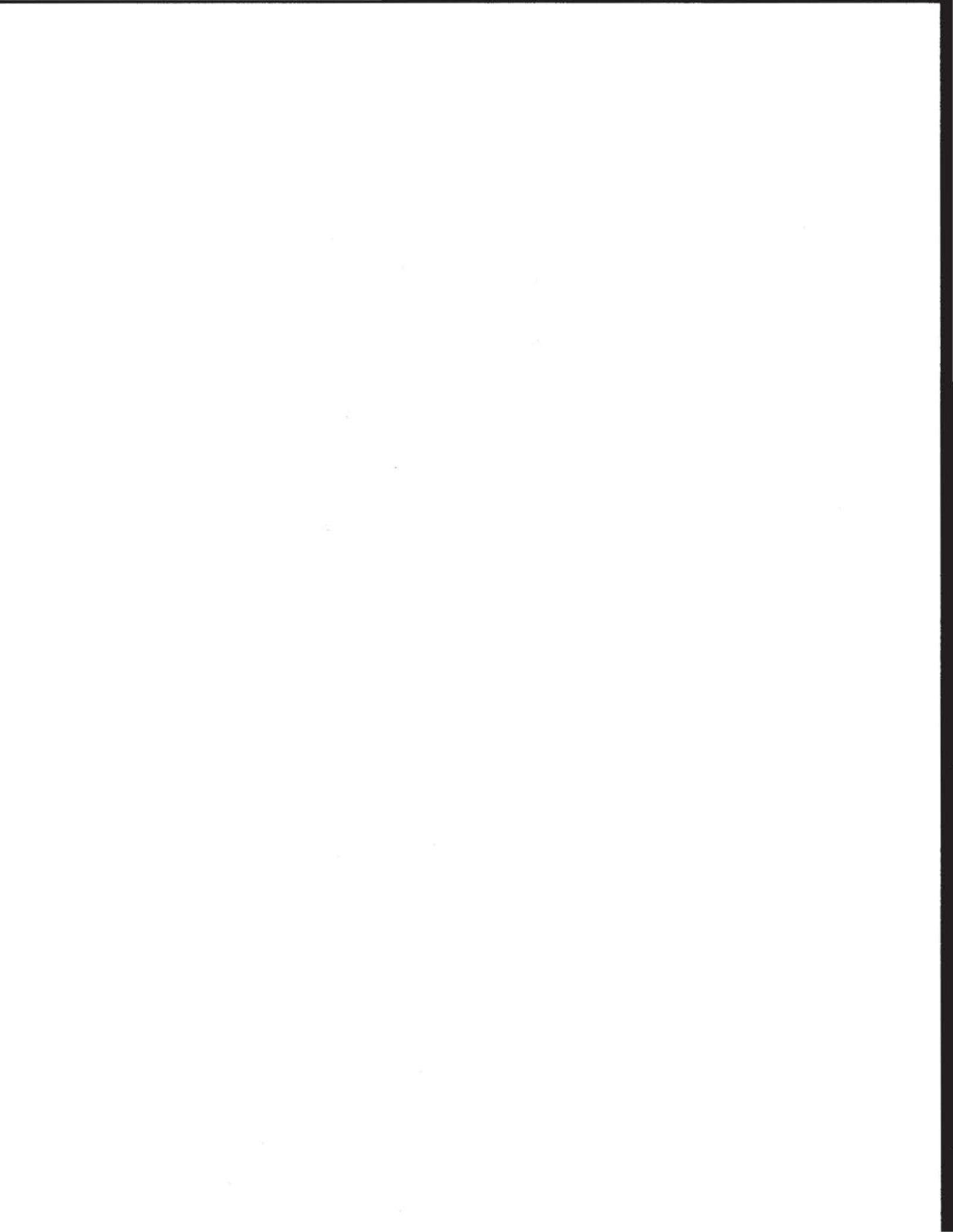
- 1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and
- 2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph A. García

Name: Joseph A. García

Title: Chief Financial Officer, Chief Administrative Officer,
Senior Executive Vice President and Secretary

Date: April 12, 2013



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, 2013

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



Spanish Broadcasting System, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction or
incorporation of organization)

13-3827791
(I.R.S. Employer
Identification No.)

7007 NW 77th Avenue
Miami, Florida 33166

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (305) 441-6901

Former name, former address and former fiscal year, if changed since last report: None
Securities registered pursuant to Section 12(b) of the Act: None

Title of Each Class

Name of Each Exchange on Which Registered

Class A common stock, par value \$0.0001 per share

The NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act:

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a nonaccelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Nonaccelerated filer Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of June 30, 2013, the last business day of the registrant's most recently completed second fiscal quarter, the registrant had 4,166,991 shares of Class A common stock, par value \$0.0001 per share ("Class A common stock"), and 2,340,353 shares of Class B common stock, par value \$0.0001 per share ("Class B common stock"), outstanding. As of June 30, 2013, the aggregate market value of the Class A common stock held by nonaffiliates of the registrant was approximately \$14.5 million and the aggregate market value of the Class B common stock held by nonaffiliates of the registrant was approximately \$1,225. We calculated the aggregate market value based upon the closing price of our Class A common stock reported on the NASDAQ Capital Market on June 28, 2012 of \$3.50 per share, and we have assumed that our shares of Class B common stock would trade at the same price per share as our shares of Class A common stock. (For purposes of this paragraph, directors and executive officers have been deemed affiliates.)

As of March 21, 2014, 4,166,991 shares of Class A common stock, 2,340,353 shares of Class B common stock and 380,000 shares of Series C convertible preferred stock, \$0.01 par value per share ("Series C preferred stock"), which are convertible into 760,000 shares of Class A common stock, were outstanding.

Documents Incorporated by Reference:

Certain information required by Part III of this Annual Report on Form 10-K is incorporated by reference from the registrant's definitive proxy statement (the "Proxy Statement") to be filed pursuant to Regulation 14A with respect to the registrant's 2014 annual meeting of stockholders. Except with respect to information specifically incorporated by reference in this Annual Report on Form 10-K, the Proxy Statement is not deemed to be filed as part hereof.

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Special Note Regarding Forward-Looking Statements

CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

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

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

"Forward-looking" statements, as such term is defined by the Securities Exchange Commission (the "Commission") in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, growth and acquisition strategies, investments and future operational plans, such as those disclosed under the caption "Risk Factors" appearing in Item 1A of Part I of this Report. For this purpose, any statements contained herein that are not statements of historical fact may be deemed to be forward-looking statements. Without limiting the generality of the foregoing, words such as "may," "will," "expect," "believe," "anticipate," "intend," "forecast," "seek," "plan," "predict," "project," "could," "estimate," "might," or "continue" or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements.

These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including uncertainty related to acquisitions, governmental regulation and any other factors discussed in our filings with the Commission and we do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances. *See Item 1A. Risk Factors.*

PART I

Item 1. Business

Our Company

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

We are a leading Spanish-language media and entertainment company with radio or television stations in the top seven U.S. Hispanic markets, including Puerto Rico, ranked by purchasing power. Our radio stations serve markets representing approximately 40% of the U.S. Hispanic population, and our television operations serve markets representing over 3.5 million Hispanic households. We produce and distribute Spanish-language content, including radio programs, television shows, music and live entertainment through our 20 radio stations and our television group, MegaTV, which produces over 50 hours of original programming per week. MegaTV broadcasts via our owned and operated stations in South Florida and Houston and through distribution agreements with other stations, including nationally on a subscriber basis. We also own 21 bilingual websites, including www.lamusica.com, Mega.tv and various station websites. In addition, we produce live concerts and events in the United States and Puerto Rico. Concerts generate revenue from ticket sales, sponsorship and promotions, raise awareness of our brands in the surrounding communities and provide our advertising partners additional opportunities to reach their target audience.

We operate the top Spanish-language radio station in the United States based on the average number of listeners per quarter-hour, which is WSKQ-FM, one of our New York stations. WSKQ-FM delivered the highest listenership among all Spanish-language radio stations in the United States, according to the 2013 Hispanic Fact Pack. Our other radio stations are located in Los Angeles, New York, Puerto Rico, Miami, Chicago and San Francisco.

U.S. Hispanic population rank (1)	Our radio market	2012 Hispanic population in market (in millions) (1)(2)	2012 Total population in market (in millions) (1)(2)	Percentage of total market population that is Hispanic (1)(2)	Percentage of total U.S. Hispanic population (1)(2)	Number of radio stations we operate in the market
1	Los Angeles	7.9	17.6	45%	14%	2
2	New York	4.7	21.1	22	9	2
3	Puerto Rico	3.7	3.7	99	7	11
5	Miami	2.1	4.4	48	4	3
6	Chicago	2.0	9.8	21	4	1
8	San Francisco	1.6	7.0	24	3	1
Total		22.0	63.6	35%	40%	20

(1) Based on the Ipsos U.S. Diversity Market Report 2012.

(2) Estimates for Puerto Rico taken from 2012 Population Estimates, United States Census Bureau, Population Division, December 2012.

Our Strategy

We focus on maximizing the revenue and profitability of our broadcast portfolio by strengthening the performance of our existing broadcast stations. 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 generally consider acquisitions and the expansion of the number of broadcast stations in markets where we can maximize our revenue through aggressive sales and programming efforts directed at U.S. Hispanic and general market advertisers. The potential acquisitions and expansion may include broadcast stations which do not currently target the U.S. Hispanic market, but which we believe can successfully be reformatted and programmed. We also focus on long-term growth by investing in on-air talent, advertising and, from time to time, programming research. Additionally, from time to time, we explore investment opportunities in related media outlets targeting the U.S. Hispanic market.

Our operating strategy focuses on maximizing our broadcast stations' appeal to our targeted audiences and advertisers in order to increase revenue and cash flow, while simultaneously controlling operating expenses. To achieve these goals, we focus on a number of key factors.

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

Leverage Our Proprietary Content Across Our Media Platforms. We will continue to monetize our content across multiple platforms, including radio, broadcast and pay television and live events, as well as emerging media alternatives. 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. 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. During the recent economic downturn, we were highly focused on reducing our costs and believe we have significantly streamlined our cost structure to provide a foundation for growth.

Grow Our Television Business. Television is the largest Hispanic media market in the United States, with approximately 72.7% of the total 2012 U.S. Hispanic advertising spending. In 2012, the U.S. Hispanic television industry generated \$5.8 billion of revenue, according to the 2013 Hispanic Fact Pack. Our radio stations and experience in the Hispanic media and radio market in the United States and Puerto Rico give us a powerful platform, knowledge base and set of relationships on which to build our growing television business. We utilize our market knowledge to create distinctive television programs tailored to our target audiences' preferences. We believe that MegaTV will capitalize on these insights as the reach of our television programming continues to grow. Additionally, our television business offers attractive cross-promotional opportunities with our radio stations.

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, according to the Ipsos U.S. Diversity Markets Report 2012. We believe that we are well positioned to benefit from the projected growth in population and purchasing 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:

- ***Hispanic Population Growth.*** Between 2000 and 2012, the U.S. Hispanic population increased by 45.8%, compared to 6.1% for the non-Hispanic population. In 2012, Hispanics comprised 16.5% of the U.S. population and approximately one out of every six individuals living in the United States was of Hispanic origin. The U.S. Hispanic population grew at more than seven times the rate of the general population from 2000 to 2012 and is projected to grow to 30% of the U.S. population by 2050, according to the U.S. Census Bureau.
- ***Growth in Hispanic Purchasing Power.*** The U.S. Hispanic population accounted for over \$1.2 trillion of total purchasing power in 2013, which is estimated to grow to \$1.6 trillion by 2018, according to the Selig Center for Economic Growth, *The Multicultural Economy*, 2013. U.S. Hispanic purchasing power increased by 18.4% since 2010 and accounted for 9.6% of all U.S. purchasing power in 2013. By 2018, Hispanics will account for 10.6% of total U.S. buying power.

- *Spanish-Language Advertising Spending.* Advertisers spent an estimated \$7.9 billion on Spanish-language media advertising in 2012, according to the 2013 Hispanic Fact Pack. This amount has almost quadrupled since 2000 when Hispanic advertising expenditures totaled \$2.1 billion according to Hispanic Business Magazine, December 2001. As advertisers increasingly recognize the purchasing power of the U.S. Hispanic population, especially in markets with high Hispanic concentration, we believe that Spanish-language advertising will continue to increase.
- *Re-balancing of Advertising Spending Towards Hispanic Media.* While U.S. Hispanic purchasing power represented 9.6% of the total U.S. purchasing power in 2013, approximately 5.7% of advertising spending is directed toward U.S. Hispanic media. As advertisers seek to tap the large and growing Hispanic market, we believe they will allocate additional advertising dollars to the Hispanic market. We believe we are well positioned to capitalize on the growing Hispanic advertising market given our attractive position in the top seven U.S. Hispanic markets, including Puerto Rico, ranked by purchasing power.

The above market opportunity information is based on data provided by the Ipsos U.S. Diversity Markets Report 2012, the 2013 Hispanic Fact Pack, the Selig Center for Economic Growth, *The Multicultural Economy*, 2012 and the Kantar Media Report March 2013.

Our Strengths

Strong Presence in Largest U.S. Hispanic Markets. We operate in the top seven U.S. Hispanic markets ranked by purchasing power, estimated to represent approximately 35% of U.S. Hispanic purchasing power in 2012 (for Puerto Rico, based on GDP purchasing power parity data): Los Angeles, New York, Puerto Rico, Miami, San Francisco, Chicago and Houston. We operate three of the top six Spanish-language radio stations across the United States. Our New York station (WSKQ-FM) ranks first among Spanish-language radio stations. The Los Angeles and New York markets, where we consistently have a top-three-rated Spanish-language radio station, have the largest and second largest U.S. Hispanic populations, respectively. New York and Los Angeles are also the largest and second largest overall radio markets in the United States 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. As an example of the power of our brand, our New York station (WSKQ-FM) delivered the highest listenership among all Spanish-language radio stations in the United States, according to the 2013 Hispanic Fact Pack. 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 2013, 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 cash flows from operating activities. We also benefit from an attractive cost structure that provides significant operating leverage while allowing us ongoing operating 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, Sr., 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.

Recent Developments

Litigation- Lehman and T. Rowe Price Complaint

On February 14, 2013, Lehman Brothers Holdings Inc. ("LBHI") brought a claim against us in the Delaware Court of Chancery (the "Court") seeking, among other things, a declaratory judgment that as a result of non-payment of dividends, a Voting Rights Triggering Event had occurred pursuant to the certificate of designations for the Series B preferred stock (the "Certificate of Designations") no later than July 15, 2010. LBHI alleged that as a result, we were prohibited from incurring indebtedness but did so for the purposes of purchasing assets relating to our Houston television station and the issuance of our 12.5% Senior Secured Notes due 2017 (the "Notes"). LBHI also sought an award of unspecified contract damages.

We filed a motion to dismiss the LBHI complaint on March 11, 2013. On April 25, 2013, LBHI filed an opposition to our motion to dismiss and a motion for partial summary judgment. We filed a reply in further support of our motion to dismiss and in opposition to LBHI's motion for partial summary judgment on May 10, 2013. A hearing on the parties' motions was held on May 20, 2013, at which the Court requested further briefing on cross-motions for summary judgment.

Additionally, on June 17, 2013, T. Rowe Price High Yield Fund, Inc., T. Rowe Price Institutional High Yield Fund, T. Rowe Price Funds SICAV-Global High Yield Bond Fund and T. Rowe Price Small-Cap Value Fund, Inc. (collectively "T. Rowe Price" and with LBHI, the "Plaintiffs") brought a claim against us making allegations substantially similar to those made by LBHI previously, except with an additional claim for breach of the implied covenant of good faith and fair dealing.

On July 3, 2013, the Court granted the Plaintiffs' motion to consolidate their lawsuits; and on October 3, 2013, LBHI moved to amend its original complaint by adding a claim for breach of the implied covenant of good faith and fair dealing. We moved for judgment on the pleadings as to both T. Rowe Price's and LBHI's good faith and fair dealing claims. In addition, we and the Plaintiffs submitted cross-motions for summary judgment on October 31, 2013.

On February 25, 2014, Vice Chancellor Glasscock rendered the opinion of the Court granting our motions for summary judgment and judgment on the pleadings, and denying the Plaintiffs' motion for summary judgment. Accordingly, the Plaintiffs' claims were dismissed.

Litigation- Brevan Howard and Others Complaint

On December 27, 2013, River Birch Master Fund, L.P., P River Birch Ltd. (together, "River Birch") and Visium Catalyst Credit Master Fund, Ltd. (collectively with River Birch, "Initial Plaintiffs") brought a claim against us in the Court seeking a declaratory judgment that a Voting Rights Triggering Event had occurred (as of April 15, 2010) under our 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 Notes under the Indenture governing the Notes were prohibited incurrences of indebtedness under the Certificate of Designations.

The Initial Plaintiffs further claim that we violated the Certificate of Designations by failing to take any actions or explore any options that would have given us legally available funds with which to repurchase the outstanding Series B preferred stock on October 15, 2013. In connection with their claims, Initial Plaintiffs also seek an award of contract damages. On January 17, 2014, we filed a motion to dismiss the complaint. On March 3, 2014, the complaint was amended to remove River Birch and add Brevan Howard Credit Catalyst Master Fund Ltd., Brevan Howard Master Fund, ALJ Capital I, LP, ALJ Capital II, LP, LJR Capital, LP, and Cedarview Opportunities Master Fund, LP as additional plaintiffs. We deny the allegations contained in the 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 our public filings dating back to 2009. Accordingly, we believe that the complaint's allegations are frivolous and wholly without merit and intend to contest such allegations vigorously.

10 3/4% Series B Cumulative Exchangeable Redeemable Preferred Stock

Voting Rights Triggering Event

Pursuant to the Certificate of Designations, each holder of shares of our Series B preferred stock had the right, on October 15, 2013, 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.

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”).

Following the occurrence, and during the continuation of the Voting Rights Triggering Event, holders of the outstanding 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 operating 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. The right to elect the two new directors may be exercised initially either at a special meeting of the holders of Series B preferred stock or at any annual meeting of the stockholders held for the purpose of electing directors. On March 11, 2014, we received a request from LBHI, stating that it held more than 10% of the Series B preferred stock, and requesting that we call a special meeting of the Series B preferred stockholders, for the purpose of electing two 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 indenture governing our Notes currently prohibits us from paying dividends or from repurchasing the Series B preferred stock. See Item 1A. Risk Factors of this Form 10-K for a further discussion of our Series B preferred stock, including the consequences of the occurrence of the Voting Rights Triggering Event.

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 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. While the Voting Rights Triggering Event continues, we cannot pay dividends on the Series B preferred stock without causing a breach of covenants under the indenture governing our Notes.

On March 29, 2013 and April 4, 2012, the Board of Directors declared a dividend for the dividend due April 15, 2013 and April 15, 2012, respectively, to the holders of our Series B preferred stock of record as of April 1, 2013 and April 1, 2012, respectively. The dividends of \$26.875 per share were paid in cash on April 15, 2013 and April 16, 2012. Additionally, dividends were paid as part of the repurchase of 1,800 shares of Series B preferred stock on October 15, 2013.

Redemption Date Accounting Treatment on the Preferred Stock

Under current accounting principles, prior to October 15, 2013, the Series B preferred stock was considered conditionally redeemable because the Series B preferred stock holders had to request the Series B preferred stock to be repurchased on October 15, 2013. As a result of the request that was made by almost all of the holders of the Series B preferred stock on October 15, 2013 that the stock be repurchased, we assessed that, under applicable accounting principles, the contingent event had occurred and the Series B preferred stock now met the definition of a mandatorily redeemable instrument under Accounting Standards Codification 480 “*Distinguishing Liabilities from Equity*” (“ASC 480”). Even though under Delaware law, the Series B preferred stock is deemed equity, under ASC 480, if an instrument changes from being conditionally redeemable to mandatorily redeemable, then the financial instrument should be reclassified as a liability. The liability recognized is initially recorded at fair value and the resulting adjustment is recorded in equity so that no gain or loss is recognized on reclassification.

On October 15, 2013, we determined the fair value of the Series B preferred stock outstanding balance of \$127.1 million, which included the outstanding shares and accumulated unpaid dividends, to be \$39.5 million. Therefore, we recorded an \$87.6 million adjustment to reduce the carrying value of the Series B preferred stock and accrued and unpaid dividends to fair value at the redemption date, with an offset to accumulated deficit.

Subsequent Accounting Treatment of the Preferred Stock

In accordance with ASC 480, the Series B preferred stock was re-measured subsequently from the initial measurement date as the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at December 31, 2013, because the final settlement amount to be paid on the Series B preferred stock was uncertain due to its continual accruing quarterly dividends and its uncertain settlement date. The resulting change in that amount from the previous reporting date (i.e. initial measurement date) was recognized as interest expense. Therefore, we recorded an \$87.6 million adjustment to increase the Series B preferred stock liability to the contract settlement value as of December 31, 2013 and recorded \$2.0 million as dividends on Series B preferred stock classified as interest expense for the accrued dividends from the redemption date to December 31, 2013.

Going forward, the Series B preferred stock will be measured at subsequent reporting dates at the amount of cash that would be paid under the conditions specified in the contract, as if the settlement occurred at the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the 10 ³/₄% accruing quarterly dividends will be recorded as interest expense (i.e. "Dividends on Series B preferred stock classified as interest expense") as required by ASC 480.

Operating Segments

We report two operating segments: radio and television.

See Item 8. Financial Statements and Supplementary Data below.

Radio Overview

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

U.S. Hispanic population rank (1)	Our radio market	2012 Hispanic population in market (in millions) (1)(2)	2012 Total population in market (in millions) (1)(2)	Percentage of total population that is Hispanic (1)(2)	Percentage of total U.S. Hispanic population (1)(2)	Number of radio stations we operate in the market	2013 radio market gross revenues (in millions) (3)	U.S. market radio revenue rank (3)
1	Los Angeles	7.9	17.6	45%	14%	2	\$ 770.9	1
2	New York	4.7	21.1	22	9	2	624.2	2
3	Puerto Rico	3.7	3.7	99	7	11	74.8	36
5	Miami	2.1	4.4	48	4	3	239.4	11
6	Chicago	2.0	9.8	21	4	1	493.3	3
8	San Francisco	1.6	7.0	24	3	1	280.1	7
Total		22.0	63.6	35%	40%	20	\$ 2,482.7	

(1) Based on Ipsos U.S. Diversity Market Report 2012.

(2) Estimates for Puerto Rico taken from 2012 Population Estimates, United States Census Bureau, Population Division, December 2012.

(3) BIA/Kelsey's Investing in Radio Market Report 2013

Radio Station Portfolio

The following is a general description of each of our markets. The market revenue information is based on data provided by BIA/Kelsey's Investing in Radio Market Report 2013, and covers only over-the-air estimated gross revenues.

Los Angeles. The Los Angeles market is the largest U.S. radio market in terms of advertising revenue, which was projected to be approximately \$770.9 million in 2013. The Los Angeles market experienced an annual radio revenue increase of 1.4% between 2011 and 2012 and is expected to increase at an annual rate of 2.3% between 2012 and 2017.

New York. The New York market is the second largest U.S. radio market in terms of advertising revenue, which was projected to be approximately \$624.2 million in 2013. The New York market experienced an annual decrease of 0.6% in annual radio revenue between 2011 and 2012 and is expected to increase at an annual rate of 2.8% between 2012 and 2017.

Puerto Rico. The Puerto Rico market is the thirty-sixth largest U.S. radio market in terms of advertising revenue, which was projected to be approximately \$74.8 million in 2013. The Puerto Rico market experienced an annual radio revenue increase of 1.9% between 2011 and 2012 and is expected to increase at an annual rate of 0.8% between 2012 and 2017.

Miami. The Miami market is the eleventh largest U.S. radio market in terms of advertising revenue, which was projected to be approximately \$239.4 million in 2013. The Miami market experienced an annual radio revenue increase of 3.6% between 2011 and 2012 and is expected to increase at an annual rate of 2.0% between 2012 and 2017.

Chicago. The Chicago market is the third largest U.S. radio market in terms of advertising revenue, which was projected to be approximately \$493.3 million in 2013. The Chicago market experienced an annual radio revenue decrease of 0.5% between 2011 and 2012 and is expected to increase at an annual rate of 2.1% between 2012 and 2017.

San Francisco. The San Francisco market is the seventh largest U.S. radio market in terms of advertising revenue, which was projected to be approximately \$280.1 million in 2013. The San Francisco market experienced an annual radio revenue decrease of 2.0% between 2011 and 2012 and is expected to increase at an annual rate of 2.0% between 2012 and 2017.

Radio Station Programming

We format the programming of each of our radio stations to target a substantial share of the U.S. Hispanic audience in its respective market. The U.S. Hispanic population is diverse, consisting of numerous identifiable groups from many different countries of origin and each with its own musical and cultural heritage. The music, culture, customs and Spanish dialects vary from one radio market to another. We strive to become very familiar with the musical tastes and preferences of each of the various Hispanic ethnic groups and customize our programming to match the local preferences of our target demographic audience in each market we serve. By employing listener study groups and surveys, we can respond immediately, if necessary, to any changing preferences of listeners and/or trends by refining our programming to reflect the results of our research and testing. Each of our programming formats is described below.

- **Spanish Tropical.** The Spanish Tropical format primarily consists of salsa, merengue, bachata and Latin Rhythmic music. Salsa is dance music combining Latin Caribbean rhythms with jazz originating from Puerto Rico, Cuba and the Dominican Republic, which is popular with the Hispanics whom we target in New York, Miami and Puerto Rico. Merengue music is up-tempo dance music originating in the Dominican Republic. Bachata is a softer tempo dance music also originating in the Dominican Republic. Latin Rhythmic is a modern dance genre that has evolved into a mix of Spanish- and English-language dance hall, traditional reggae, Latin pop and Spanish hip-hop.
- **Regional Mexican.** The Regional Mexican format consists of various types of music played in different regions of Mexico such as ranchera, norteña, banda and cumbia. Ranchera music, originating from Jalisco, Mexico, is a traditional folkloric sound commonly referred to as mariachi music. Mariachi music features acoustical instruments and is considered the music indigenous to Mexicans who live in country towns. Norteña means northern, and is representative of Northern Mexico. Featuring an accordion, norteña has a polka sound with a distinct Mexican flavor. Banda is a regional format from the state of Sinaloa, Mexico and is popular in California. Banda resembles up-tempo marching band music with synthesizers.
- **Spanish Adult Contemporary.** The Spanish Adult Contemporary format includes soft romantic ballads and Spanish pop music as well as international hits from Puerto Rico, Mexico, Latin America and Spain.
- **Top 40.** The Top 40 format consists of the most popular current Latin and English chart hits.
- **Latin Rhythmic.** The Latin Rhythmic format consists of Tropi-Pop, which is a mix of upbeat pop and tropical music.

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

Market	FM Station	Format	Target buying demographic group by age
Los Angeles	KLAX	Regional Mexican.....	18 – 49
	KXOL	Latin Rhythmic.....	18 – 34
New York.....	WSKQ	Spanish Tropical.....	18 – 49
	WPAT	Spanish Adult Contemporary	25 – 54
Puerto Rico.....	WMEG	Top 40	18 – 34
	WEGM	Top 40	18 – 34
	WRXD	Spanish Tropical.....	25 – 54
	WIOA	Spanish Adult Contemporary	18 – 49
	WIOB	Spanish Adult Contemporary	18 – 49
	WIOC	Spanish Adult Contemporary	18 – 49
	WZNT	Spanish Tropical.....	18 – 49
	WZMT	Spanish Tropical.....	18 – 49
	WZET	Spanish Tropical.....	18 – 49
	WODA	Latin Rhythmic.....	18 – 34
Chicago	WNOD	Latin Rhythmic.....	18 – 34
	WLEY	Regional Mexican.....	18 – 49
Miami.....	WXDJ	Spanish Tropical.....	18 – 49
	WCMQ	Spanish Adult Contemporary	25 – 54
	WRMA	Top 40	18 – 34
San Francisco	KRZZ	Regional Mexican.....	18 – 49

Our radio programming capabilities benefit from the integration and synergies of production of programming across the Company. For example, successful programming in one market can be syndicated to another market.

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 events with popular artists, which are promoted by our radio and television stations. SBS Interactive manages LaMusica.com, Mega.tv, various radio station websites, and La Musica Mobile App. All of the digital properties offer bilingual (Spanish-English) 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 our audience reach. We are developing brand specific digital content strategies for each of our key 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, enables 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.

Television Overview and Programming

On March 1, 2006, we launched MegaTV, our general entertainment Spanish-language television operation. We created a unique television format which focuses on entertainment, events and variety with high-quality production. Our programming is formatted to capture shares of the Hispanic audience by focusing on our core strengths as an "entertainment" company, thus offering a new alternative compared to the traditional Latino channels. The following table sets forth demographic and statistical information with respect to our television markets, excluding cable and satellite providers, such as DirecTV, DirecTV Puerto Rico, AT&T U-Verse and Verizon Fios:

TV market revenue rank (1)	Our TV Designed Market Area (DMA)	2012 Hispanic population in market (millions) (2)	2012 total population in television market (millions) (1)	Hispanic percentage of total population in TV market (1)	2013 market TV over-the-air estimated gross revenues (millions) (1)
7	Miami-Ft. Lauderdale	2.17	4.46	48.6	\$ 491.6
8	Houston	2.35	6.55	35.9	513.2
15	Orlando-Daytona Beach-Melbourne	0.75	3.81	19.7	309.6
69	Fresno	1.10	2.00	54.3	71.5
	Total in our markets	6.37	16.82	37.9%	\$1,385.9

(1) BIA/Kelsey's Investing in Television 2013, 4th edition.

(2) Calculated by multiplying the fourth column by the fifth column.

Television Station Portfolio

The following is a general description of each of our markets. The market revenue information is based on data provided by BIA/Kelsey's Investing in Television 2013, 4th edition.

Miami. In 2012, the Miami-Ft. Lauderdale market was the seventh largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately \$491.6 million. The Miami-Ft. Lauderdale market experienced an annual television revenue increase of 8.5% between 2011 and 2012. Television revenue in the Miami-Ft. Lauderdale market is expected to increase at an annual rate of 1.3% between 2012 and 2017.

Houston. In 2012, the Houston market was the eighth largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately \$513.2 million. The Houston market experienced an annual television revenue increase of

5.0% between 2011 and 2012. Television revenue in the Houston market is expected to increase at an annual rate of 3.1% between 2012 and 2017.

Orlando. In 2012, the Orlando-Daytona Beach-Melbourne market was the fifteenth largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately \$309.6 million. The Orlando-Daytona Beach-Melbourne market experienced an annual television revenue increase of 37.2% between 2011 and 2012. Television revenue in this market is expected to increase at an annual rate of 0.5% between 2012 and 2017.

Fresno. In 2012, the Fresno-Visalia market was the sixty-ninth largest U.S. television market in terms of advertising revenue and for 2013 was projected to be approximately \$71.5 million. The Fresno-Visalia market experienced an annual television revenue increase of 11.0% between 2011 and 2012. Television revenue in the Fresno-Visalia market is expected to increase at an annual rate of 1.6% between 2012 and 2017.

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

Market	Station ID	Channel	Programming type
Houston, Texas	KTBU	55	Owned & Operated
Miami, Florida	WSBS	22	Owned & Operated
Orlando, Florida.....	WFTV	9	Affiliation Agreement
Fresno, California	KSDI	33	Affiliation Agreement
DirecTV	Satellite	405	Distribution Agreement
DirecTV-Puerto Rico	Satellite	169	Distribution Agreement
AT&T U-Verse-Nationwide	ADS/Cable	3,008	Distribution Agreement
Verizon Fios.....	ADS/Cable	See Footnote (1)	Distribution Agreement

(1) MegaTV is distributed by Verizon Fios in Dallas/Fort Worth, TX (on channel 25), in Tampa, FL (on channel 466), in New York, New Jersey and Greenwich, CT (on channel 466) and in Los Angeles, CA (on channel 473).

Television Strategy

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. On the forefront of digital platforms, we were the first Spanish-language programmer to broadcast in 100% native High Definition (HD) in the United States and one of the first Spanish-language programmers in the United States to launch content on Video On Demand, known as VOD.

As part of our strategy, we have incorporated certain of our radio on-air personalities into our television programming, as well as including interactive elements to complement our Internet websites. We produce over 50 hours of original programming per week. Our television revenue is generated primarily from the sale of local advertising and paid programming. Advertising rates depend primarily on our ability to attract an audience in the demographic groups targeted by our advertisers, the number of stations in the market we compete with for the same audience, and the supply of and demand for television advertising time, as well as other qualitative factors. We also generate revenue from the sale of integrated sponsorships and program syndication.

Our television growth strategy is focused on selectively expanding our MegaTV operations into U.S. Hispanic markets where we do not currently have television programming distribution outlets. We continue to target fast-growing and high-density U.S. Hispanic markets, where we can maximize our revenue through aggressive and selective sales and programming efforts directed at U.S. Hispanic and general market advertisers in order to be profitable in terms of station operating income.

Our Miami facility for our media broadcast programming and production is nearly 70,000 square feet and houses the bulk of MegaTV's national and local market operations. With over 14,000 square feet of high definition (HD) TV-Studio production space, the building was remodeled to handle the majority of MegaTV's diverse original HD programming, while also accommodating outside production clients with its wide range of production capabilities, which can include anything from news to late-night variety shows with live band and studio audience. MegaTV's long-term technical design criteria for this facility placed an emphasis on streamlined production workflows and digital media management. Key technical features of this facility include:

- integrated HD/standard definition (SD) file-based content capabilities throughout our studio, post production and master control areas;
- three HD studio production spaces that can be operated independently or combined;
- two fully equipped HD control rooms with server, editing and mastering capabilities;

- 14 HD/SD post production editing suites that include advanced technology in networked solutions;
- satellite downlink antenna farm and extensive fiber connectivity for content contribution and distribution; and
- multi-path, redundant HD server-based master control system responsible for our distribution feeds.

The Miami facility also includes office space for production and back-office personnel, as well as dressing rooms, make-up rooms and green rooms for our on-air talent and studio guests.

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

Advertising Revenue

The vast majority of our revenue is derived from cash advertising sales. Advertising revenue has historically been classified into two categories – “national” and “local.” “National” generally refers to advertising that is solicited by a representative firm for national advertisers. A subset category of national advertising revenue is network advertising revenue, which is advertising purchased by our other strategic alliance agreements. Our national sales representative for our radio stations is McGavren Guild Media, LLC. “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. We have expanded the conventional model by offering “integrated sponsorship” opportunities, which are highly sought after and command a higher investment from agencies, in order to maximize our advertisers’ opportunities. We expect that our primary source of revenue from our broadcast stations will be generated from the sale of national, local and integrated sponsorship advertising. In addition, we are anticipating that our television, radio and internet offerings will generate more advertising opportunities by offering multi-media packages.

We believe that the broadcasting industry is one of the most efficient and cost-effective means for advertisers to reach targeted demographic groups. Advertising rates charged by a station are based primarily on the station’s ability to attract an audience in a given market and on the attractiveness to advertisers of the station’s audience demographics, as well as the demand on available advertising inventory. Rates also vary depending upon a program’s popularity among the listeners/viewers an advertiser is seeking to attract and the availability of alternative media in the market. Radio advertising rates generally are highest during the morning drive-time hours, which are the peak hours for radio audience listening. Television advertising rates are higher during prime time evening viewing periods. A broadcaster that has multiple stations in a market appeals to national advertisers because these advertisers can reach more listeners and viewers, thus enabling the broadcaster to attract a greater share of the advertising revenue in a given market. In light of these factors, we seek to grow our revenue by taking advantage of our presence in major Hispanic markets as new and existing advertisers recognize the increasing desirability of targeting the growing U.S. Hispanic population.

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. We also determine the number of advertisements broadcast hourly that can 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.

We have short- and long-term contracts with our advertisers, although it is customary in the radio and television industry that the majority of advertising contracts are short-term and generally run for less than three months. This affords broadcasters the opportunity to modify advertising rates as dictated by changes in viewer ratings, changes in competitive dynamics and changes in the business climate within a particular market. In each of our broadcasting markets, we employ sales personnel to obtain local advertising revenue. Our local sales force is responsible for maintaining relationships with key local advertisers and agencies and identifying new advertisers. We pay commissions to our local sales staff upon receipt of payment for their respective billings which assists in our collection efforts.

Seasonality

Seasonal broadcasting revenue fluctuations are common in the broadcasting industry and are primarily due to fluctuations in advertising expenditures by local and national advertisers. Our net broadcasting revenues vary throughout the year. Historically, our first calendar quarter (January through March) has generally produced the lowest net broadcasting revenue for the year because of routine post-holiday decreases in advertising expenditures.

Competition

The success of our broadcast stations depends significantly upon their audience ratings and their share of the overall advertising revenue within their markets. The radio and television broadcasting industries are highly competitive businesses. Each of our radio stations compete with both Spanish-language and English-language radio stations in their market, as well as other media, such as newspapers, broadcast television, cable television, the Internet, magazines, outdoor advertising, satellite radio, transit advertising and direct mail marketing. Our television operations compete for viewers and revenue with both Spanish-language and English-language television stations in our local markets, as well as nationally broadcast television operations, cable television, the Internet and other video media.

Several of the broadcast stations with which we compete are subsidiaries of larger national or regional companies that may have substantially greater financial resources than we do. Factors which are material to our competitive position include:

- management experience;
- talent and popularity of on-air personalities and television show hosts and actors;
- audience ratings and our broadcast stations' rank in their markets;
- sales talent and experience;
- signal strength and frequency; and
- audience demographics, including the nature of the Spanish-language market targeted by a particular station.

Although the broadcast industry is highly competitive, some barriers to entry do exist. These barriers can be mitigated to some extent by changing existing broadcast station formats and programming and upgrading power, among other actions. The operation of a broadcast station requires a license or other authorization from the Federal Communications Commission (the "FCC"). The number of AM radio stations that can operate in a given market is limited by the availability of AM radio spectrum in the market. The number of FM radio stations and television stations that can operate in a given market is limited by the availability of those frequencies allotted by the FCC to communities in such market. In addition, the FCC's multiple ownership rules regulate the number of stations that may be owned and controlled by a single entity in a given market. For a discussion of FCC regulation, see "Federal Regulation of Radio and Television Broadcasting" below.

The radio industry is also subject to competition from new media technologies that are being developed or introduced, such as the delivery of audio programming by satellite, cable television systems and Internet-based music streaming services. Some radio broadcast stations, including ours, are utilizing digital technology on their existing terrestrial frequencies to deliver audio programming. The FCC also has begun granting licenses for a new "low power" radio or "microbroadcasting" service to provide low-cost neighborhood service on frequencies which would not interfere with existing stations.

The FCC has selected In-Band On-Channel™, also known as IBOC or "HD Radio®," as the exclusive technology for introduction of terrestrial digital operations by AM and FM radio stations. HD Radio® technology permits a station to transmit radio programming in both analog and digital formats, and eventually in digital only formats, using the bandwidth that the radio station is currently licensed to use. HD Radio® technology is used to (1) improve sound quality, (2) provide spectrum for enhanced data services and multiple program streams and (3) allow radio stations to time broker unused digital bandwidth to third parties, thereby providing new business opportunities for radio broadcasters. Final digital radio rules, including the imposition of new public interest requirements and appropriate limits to the amount of subscription requirements, remain under consideration by the FCC. We currently utilize HD Radio® digital technology on some of our stations and will evaluate additional installations over the next few years. This digital technology, which is not required by the FCC, offers the possibility of multiple audio channels in our assigned frequencies.

The delivery of information through the presently minimally regulated Internet has also created a new form of competition for both radio and television. Internet broadcasts have no geographic limitations and can provide listeners with programming from around the country and the world. We expect that improvements from higher bandwidths, faster download speeds and wider programming selection may make Internet radio a more significant competitor in the future. The radio broadcasting industry historically has grown despite the introduction of new technologies for the delivery of entertainment and information, such as television broadcasting, cable television, audio tapes, compact discs and portable digital music players.

Recent developments by many companies, including internet service providers, are expanding the variety and quality of broadcast content on the internet. Internet companies have developed business relationships with companies that have traditionally provided syndicated programming, network television and other content. As a result, additional programming is becoming available through nontraditional methods, which can directly impact the number of TV viewers and thus indirectly impact station rankings, popularity and revenue possibilities from our stations. Like radio, the television broadcasting industry has grown, notwithstanding the increasing popularity of entertainment and media content delivered through cell phones and other portable wireless devices. We