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

General Overview

We own and/or operate 20 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. The Los Angeles and New York markets have the largest and second largest Hispanic populations and are also the largest and second largest radio markets in the United States measured by advertising revenue, respectively. 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 2013 and 2012, 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 2013 and 2012, 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. We also 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 2013 and 2012, local revenue comprised 62% – 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 2013 and 2012, national revenue comprised 16%—17% of our gross revenue. Network sales generally consists of advertising airtime sold to our network sales partner and for the years ended 2013 and 2012, comprised 3% 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 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 2013 and 2012, these revenues combined comprised approximately 12% – 18% 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, 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 2013 Compared to Year Ended 2012

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

	2013	2012
Net revenue:		
Radio	$ 133,536	121,414
Television	20,238	18,108
Consolidated	$ 153,774	139,522
Engineering and programming expenses:		
Radio	$ 22,044	20,101
Television	8,828	11,144
Consolidated	$ 30,872	31,245
Selling, general, and administrative:		
Radio	$ 58,322	49,108
Television	10,878	8,521
Consolidated	$ 69,200	57,629
Corporate expenses	$ 9,316	7,507
Depreciation and amortization:		
Radio	$ 1,943	2,062
Television	2,916	2,999
Corporate	307	403
Consolidated	$ 5,166	5,464
(Gain) loss on disposal of assets, net:		
Radio	$ (12)	(15)
Television	—	—
Corporate	(13)	—
Consolidated	$ (25)	(15)
Impairment of assets and restructuring costs:		
Radio	$ 86	48
Television	1,000	11
Corporate	(197)	383
Consolidated	$ 889	442
Operating income (loss):		
Radio	$ 51,153	50,110
Television	(3,384)	(4,567)
Corporate	(9,413)	(8,293)
Consolidated	$ 38,356	37,250

The following summary table presents a comparison of our operating results of operations for the years ended December 31, 2013 and 2012. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and related notes.

	2013	2012
	(In thousands)	
Net revenue	$ 153,774	139,522
Engineering and programming expenses	30,872	31,245
Selling, general, and administrative expenses	69,200	57,629
Corporate expenses	9,316	7,507
Depreciation and amortization	5,166	5,464
(Gain) loss on disposal of assets, net	(25)	(15)
Impairment of assets and restructuring costs	889	442
Operating income	38,356	37,250
Interest expense, net	(39,715)	(36,543)
Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense	(87,563)	—
Dividends on Series B preferred stock classified as interest expense	(2,028)	—
Change in fair value of derivative instrument	—	(391)
Income tax (benefit) expense	(2,384)	1,597
Net loss	$ (88,566)	(1,281)
Series B preferred stock adjustment to fair value at redemption date	87,563	—
Dividends on Series B preferred stock	(7,859)	(9,927)
Net loss available to common stockholders	$ (8,862)	(11,208)

Net Revenue

The increase in our consolidated net revenues of $14.2 million or 10% was due to the increases in both our radio and television segments' net revenues. Our radio segment net revenues increased $12.1 million or 10%, primarily due to special events revenue, local, national, barter and interactive sales. The increases in special events revenue, barter and interactive sales occurred throughout most of our markets. The increase in local sales was primarily in our New York, Los Angeles, Puerto Rico and Miami markets. The increase in national sales took place in our Los Angeles, New York and San Francisco markets. Our television segment net revenues increased $2.1 million or 12%, largely due to the increase in special events revenue, offset by the decreases in national and local spot sales and paid-programming sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $0.4 million or 1% was due to the decrease in our television segment expenses. Our television segment expenses decreased $2.3 million or 21%, mainly due to decreases in originally produced programming costs, compensation and benefits, and the elimination of broadcasting rights fees related to our former Chicago and Puerto Rico outlets. Our radio segment expenses increased $1.9 million or 10%, primarily related to increases in compensation and benefits, legal settlements and music research expenses, which were offset by a decrease in music license fees.

Selling, General, and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of $11.6 million or 20% was due to the increases in both our radio and television segments' expenses. Our radio segment expenses increased $9.2 million or 19%, mainly due to increases in special events expenses, barter expense, compensation and benefits, and legal settlements, which were offset by a decrease in local commissions. Our television segment expenses increased $2.4 million or 28%, primarily due to an increase in special events expenses, which were offset by decreases in compensation and benefits, and facilities expenses.

Corporate Expenses

The increase in corporate expenses of $1.8 million or 24% was mostly due to an increase in professional fees.

Impairment of Assets and Restructuring Costs

The impairment charges and restructuring costs were mainly related to an impairment charge recognized on the write-off of a deposit for an option to purchase a TV station that we operated under a programming agreement throughout 2008 and 2009. Pursuant to a lawsuit, we were requesting the reimbursement of our deposit but our claim was denied.

Operating Income

The increase in operating income of $1.1 million or 3% was mainly due to the increase in net revenue.

Interest Expense, Net

The increase in interest expense of $3.2 million was due to the increase in our interest rate and amortization of deferred financing costs related to our 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 are being amortized over the life of our Notes and recorded as interest expense.

Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense and Dividends on Series B preferred stock classified as interest expense

In accordance with Accounting Standards Codification 480 *"Distinguishing Liabilities from Equity"* ("ASC 480"), the Series B preferred stock was re-measured subsequently from the initial measurement date (i.e. redemption date of October 15, 2013) 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. Please refer to "Series B preferred stock adjustment to fair value at redemption date" below for further additional details.

Income Tax (Benefit) Expense

The decrease in income tax expense of $4.0 million was primarily a result of the elimination of a valuation allowance on a deferred tax asset related to one of our Puerto Rico subsidiaries.

Net Loss

The increase in net loss of $88.6 million was primarily due to the increase in interest expense, Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense and dividends on Series B preferred stock classified as interest expense.

Series B preferred stock adjustment to fair value at redemption date

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 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 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.

Dividends on Series B preferred stock

The decrease in dividends on the Series B preferred stock of $2.1 million is as a result of the accounting treatment of the Series B preferred stock and its related dividends after the redemption date of October 15, 2013. Please refer to "Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense and Dividends on Series B preferred stock classified as interest expense" and "Series B preferred stock adjustment to fair value at redemption date" above for further details.

Net Loss available to common stockholders

The decrease in net loss available to common stockholders of $2.3 million was primarily due to the decrease in income tax expense and an increase in operating income, which were offset by an increase in interest expense.

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 flows from operations are 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 currently precluded by the occurrence and continuation of the Voting Rights Triggering Event. The occurrence and continuation of the Voting Rights Triggering Event, our Certificate of Designations and the Indenture governing the Notes place other 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.

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

- the demand for advertising within the broadcasting industry and economic conditions in general will not deteriorate in any material respect;
- despite the consequences resulting from the occurrence of the Voting Rights Triggering Event, we will attempt to 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 equity financing, operations, asset sales or a combination of these or other available and/or permitted sources. As a result of the consequences resulting from the occurrence of the Voting Rights Triggering Event, we are currently not able to finance acquisitions through the incurrence of additional debt and are subject to additional restrictions which may preclude us from being able to execute this strategy.

On October 15, 2013, as a result of a failure by us to repurchase all of the shares of Series B preferred stock that were requested to be repurchased by the holders thereof, a Voting Rights Triggering Event occurred. Following the occurrence, and during the continuation, of the Voting Rights Triggering Event, we are 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 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.

12.5% senior secured notes due 2017

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, as amended. We used the net proceeds from the offering, together with some cash on hand, to repay and terminate the senior credit facility term loan, and to pay the transaction costs related to the offering.

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.

The Additional Interest applicable fiscal periods are as follows:

(1) Six-months ended December 31, 2012 or as of December 31, 2012

(2) Last twelve months ended June 30, 2013 or as of June 30, 2013

(3) Last twelve months ended December 31, 2013 or as of December 31, 2013

(4) Last twelve months ended June 30, 2014 or as of June 30, 2014

(5) Last twelve months ended December 31, 2014 or as of December 31, 2014

(6) Last twelve months ended June 30, 2015 or as of June 30, 2015

(7) Last twelve months ended December 31, 2015 or as of December 31, 2015

(8) Last twelve months ended June 30, 2016 or as of June 30, 2016

(9) Last twelve months ended December 31, 2016 or as of December 31, 2016

Although our secured leverage ratio as of December 31, 2012, June 30, 2013 and December 31, 2013 was greater than 4.75 to 1.00, we recorded positive consolidated station operating income for our television segment for the six-months ended December 31, 2012 and the last twelve months ended June 30, 2013 and December 31, 2013 (as defined in the Indenture). Therefore, during the periods ending December 31, 2012, June 30, 2013 and December 31, 2013 no Additional Interest was incurred and/or payable.

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; however, the occurrence and continuance of the Voting Rights Triggering Event currently prevents us from incurring any such additional debt.

The Notes are senior secured obligations of the Company that rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. Subject to certain exceptions, the Notes are fully and unconditionally guaranteed by each of our existing 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 us 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.

As of December 31, 2013, we were in compliance with all of our covenants under our Indenture.

Summary of Capital Resources

The following summary table presents a comparison of our capital resources for the years ended December 31, 2013 and 2012, 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.

	2013	2012	Change
	(In thousands)		
Capital expenditures:			
Radio	$ 1,072	407	665
Television	535	937	(402)
Corporate	700	247	453
Consolidated	$ 2,307	1,591	716
Net cash flows provided by operating activities	$ 7,145	14,563	(7,418)
Net cash flows used in investing activities	(2,271)	(1,581)	(690)
Net cash flows used in financing activities	(7,968)	(57,588)	49,620
Net decrease in cash and cash equivalents	$ (3,094)	(44,606)	41,512

Capital Expenditures

The increase in our capital expenditures was primarily due to a relocation of our San Francisco radio office, various radio systems upgrades and corporate building improvements.

Net Cash Flows Provided by Operating Activities

Changes in our net cash flows from operating activities were primarily a result of cash payments paid to vendors, mainly for interest and prepaid expenses and other current assets.

Net Cash Flows Used in Investing Activities

Changes in our net cash flows from investing activities were a result of the increase in our capital expenditures.

Net Cash Flows Used in Financing Activities

Changes in our net cash flows from financing activities were a result of the absence of the costs associated with 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, which caused out net cash flows used in financing activities to be higher in 2012 than our historical levels. We used the net proceeds from the offering, together with cash on hand, to repay and terminate the senior credit facility, and to pay the transaction costs related to the offering.

Preferred and Common Stock

As of December 31, 2013, we had the following series of capital stock outstanding:

- 90,549 issued shares of 10 $^3/_4$% Series B cumulative exchangeable redeemable preferred stock with an aggregate liquidation preference of $90.5 million and accumulated and unpaid dividends of $36.1 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

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 ¾% 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.

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

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

In the discounted cash flow projections, a period of ten years was determined to be an appropriate time horizon for the analysis. The yearly streams of cash flows are adjusted to present value using an after-tax discount rate calculated for the broadcast industry as of 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 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 2014 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 11.5% for television licenses were used to calculate the present value of the net after-tax cash flows. The discount rates are based on an after-tax rate determined using the weighted average cost of capital model as of December 31, 2013. 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 $8.3 million.

The table below presents the percentage, within a range, by which the fair value of our broadcasting licenses exceeded their carrying value as of December 31, 2013 for 8 units of accounting (i.e. markets).

	Percentage Range by which the Fair Value Exceeds the Carrying Value for the Units of Accounting as of December 31, 2013		
	0% to 5%	Greater than 5% to 15%	Greater than 15%
Number of units of accounting	1	2	5
Carrying value (in thousands)	$ 22,785	$ 111,734	$ 188,536

As a result of the annual fourth quarter 2013 impairment test of our broadcasting licenses, there was one unit of accounting where the fair value exceeded its carrying value by 5% or less as of December 31, 2013. In aggregate, this unit of accounting has a carrying value of $22.8 million and represents 4.9% of our total assets.

In addition to conducting our annual impairment testing, at each interim reporting period we performed a qualitative assessment for each unit of accounting for triggering events that could have indicated an impairment to our FCC broadcasting licenses. In this assessment, we considered the qualitative factors that are outlined in FASB ASC 350-30-35-18B, which include, but are not limited to, the state of the economy, advertising demand, market conditions, broadcasting industry future growth rates, regulatory matters and technology. During the years ended December 31, 2013 and 2012, we determined that there were no impairments of our FCC broadcasting licenses.

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, 2013 and 2012, 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) limited trading volume; (2) the impact of our television segment operating losses; and (3) 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 with the exception of certain deferred tax assets of one of our Puerto Rico subsidiaries. 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 February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income.* ASU 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated comprehensive income by the respective line items of net income but only if the amount reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not required under U.S. GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures required under U.S. GAAP that provide additional detail about those amounts. ASU 2013-02 does not change the requirements for reporting net income or other comprehensive income in financial statements. The new standard is effective for reporting periods beginning after December 15, 2012. We implemented the provisions of ASU 2013-02 and it 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, 2013 and 2012, 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

As previously reported, on May 9, 2013, our Audit Committee approved the dismissal of KPMG LLP ("KPMG") as our independent registered public accountant, effective as of the date of KPMG's completion of the audit services for the first quarter ending March 31, 2013. Also on May 9, 2013, the Audit Committee approved and the Board of Directors ratified the appointment of Crowe Horwath LLP ("Crowe Horwath") as our independent registered public accounting firm to perform independent audit services beginning with the fiscal year ending December 31, 2013.

During the fiscal years ending December 31, 2012 and 2011 and through May 9, 2013, neither we, nor anyone on our behalf, consulted Crowe Horwath regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to our consolidated financial statements, in any case where a written report or oral advice was provided to us by Crowe Horwath that Crowe Horwath concluded was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

No Adverse Opinion or Disagreement

The reports of KPMG on our consolidated financial statements for the fiscal years ended December 31, 2012 and 2011 did not contain any adverse opinion or disclaimer of opinion, and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During our fiscal years ended December 31, 2012 and 2011, and through May 9, 2013, the date of KPMG's dismissal, (i) there were no disagreements (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) between us and KPMG on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure, which, if not resolved to the satisfaction of KPMG would have caused KPMG to make reference to the subject matter of the disagreement in connection with its reports on our consolidated financial statements for such years, and (ii) there were no "reportable events" (as that term is defined in Item 304(a)(1)(v) of Regulation S-K).

We have agreed to indemnify and hold KPMG harmless against and from any and all legal costs and expenses incurred by KPMG in successful defense of any legal action or proceeding that arises as a result of KPMG's consent to the inclusion of its audit report on our past financial statements included in or incorporated by reference in this Form 10-K.

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, 2013, 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) of 1992. Based on our evaluation, we concluded that we maintained effective internal control over financial reporting as of December 31, 2013 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, 2013 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 will be set forth in our Proxy Statement, which information is incorporated herein by this reference.

Item 11. Executive Compensation

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

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

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

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

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

Item 14. Principal Accountant Fees and Services

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

PART IV

Item 15. Exhibits and Financial Statement Schedules

1. Financial Statements

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

- Reports of Independent Registered Public Accounting Firms;
- Consolidated Balance Sheets as of December 31, 2013 and 2012;
- Consolidated Statements of Operations and Comprehensive Loss for the years ended December 31, 2013 and 2012;
- Consolidated Statements of Changes in Stockholders' Deficit for the years ended December 31, 2013 and 2012;
- Consolidated Statements of Cash Flows for the years ended December 31, 2013 and 2012; 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 of
Spanish Broadcasting System, Inc. and Subsidiaries
Miami, Florida

We have audited the accompanying consolidated balance sheet of Spanish Broadcasting System, Inc. and Subsidiaries (the "Company") as of December 31, 2013, and the related consolidated statements of operations and comprehensive loss, changes in stockholders' deficit, and cash flows for the year then ended. In connection with our audit of the consolidated financial statements, we have also audited the consolidated financial statement schedule for the year ended December 31, 2013 listed in the accompanying index at Item 15. These consolidated financial statements and the consolidated financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule based on our audit.

We conducted our audit 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. 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 audit provides 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, 2013, and the results of their operations and their cash flows for the year then ended in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule for the year ended December 31, 2013, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Crowe Horwath LLP

Fort Lauderdale, Florida
April 15, 2014

Report of Independent Registered Public Accounting Firm

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

We have audited the accompanying consolidated balance sheet of Spanish Broadcasting System, Inc. and subsidiaries (the "Company") as of December 31, 2012, and the related consolidated statement of operations and comprehensive loss, changes in stockholders' deficit, and cash flow for the year 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 audit.

We conducted our audit 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 audit provides 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 the results of their operations and their cash flows for the year 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, 2013 and 2012
(In thousands, except share data)

	2013	2012
Assets		
Current assets:		
Cash and cash equivalents	$ 23,566	26,660
Receivables:		
Trade	31,665	27,638
Barter	460	377
	32,125	28,015
Less allowance for doubtful accounts	2,204	1,592
Net receivables	29,921	26,423
Prepaid expenses and other current assets	2,778	2,161
Total current assets	56,265	55,244
Property and equipment, net	35,420	38,014
FCC broadcasting licenses	323,055	323,055
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $828 in 2013 and $642 in 2012	1,720	1,906
Deferred financing costs, net of accumulated amortization of $6,352 in 2013 and $3,015 in 2012	11,264	14,601
Other assets	1,218	1,792
Total assets	$ 461,748	467,418
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 19,593	16,275
Accrued interest	7,271	7,339
Unearned revenue	512	527
Other liabilities	497	669
Current portion of other long-term debt	3,004	3,009
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends outstanding, $0.01 par value, liquidation value $1,000 per share. Authorized 280,000 shares: 90,549 shares issued and outstanding at December 31, 2013 and $36,097 of dividends payable	126,646	—
Series B cumulative exchangeable redeemable preferred stock dividends payable	—	29,369
Total current liabilities	157,523	57,188
Other liabilities, less current portion	504	802
Derivative instruments	602	816
12.5% senior secured notes due 2017, net of unamortized discount of $5,862 in 2013 and $7,194 in 2012	269,138	267,806
Other long-term debt, less current portion	5,258	8,262
Deferred income taxes	83,172	86,049
Total liabilities	516,197	420,923
Commitments and contingencies (notes 12, 14 and 15)		
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	—	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, 2013 and 2012, 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, 2013 and 2012, respectively	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at December 31, 2013 and 2012, respectively	—	—
Additional paid-in capital	525,334	525,281
Accumulated other comprehensive loss, net	(602)	(816)
Accumulated deficit	(579,185)	(570,323)
Total stockholders' deficit	(54,449)	(45,854)
Total liabilities and stockholders' deficit	$ 461,748	467,418

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Operations and Comprehensive Loss
Years ended December 31, 2013 and 2012
(In thousands, except per share data)

	2013	2012
Net revenue	$ 153,774	139,522
Operating expenses:		
Engineering and programming	30,872	31,245
Selling, general and administrative	69,200	57,629
Corporate expenses	9,316	7,507
Depreciation and amortization	5,166	5,464
Total operating expenses	114,554	101,845
Gain on the disposal of assets	(25)	(15)
Impairment charges and restructuring costs	889	442
Operating income	38,356	37,250
Other (expense) income:		
Interest expense	(39,715)	(36,555)
Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense	(87,563)	—
Dividends on Series B preferred stock classified as interest expense	(2,028)	—
Interest income	—	12
Loss on early extinguishment of debt	—	(391)
(Loss) income before income taxes	(90,950)	316
Income tax (benefit) expense	(2,384)	1,597
Net loss	(88,566)	(1,281)
Series B preferred stock adjustment to fair value at redemption date	87,563	—
Dividends on Series B preferred stock	(7,859)	(9,927)
Net loss available to common stockholders	$ (8,862)	(11,208)
Basic and Diluted net loss per common share	$ (1.22)	(1.54)
Weighted average common shares outstanding:		
Basic and Diluted	7,267	7,267
Net loss	$ (88,566)	(1,281)
Other comprehensive income (loss), net of taxes-unrealized gain (loss) on derivative instrument	214	(76)
Total comprehensive loss	$ (88,352)	(1,357)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES

Consolidated Statements of Changes in Stockholders' Deficit

Years ended December 31, 2013 and 2012

(In thousands, except share data)

	Class C preferred stock		Class A common stock		Class B common stock		Additional paid-in capital	Accumulated other comprehensive loss, net	Accumulated deficit	Total stockholders' deficit
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value				
Balance at December 31, 2011	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,235	$ (740)	$ (559,115)	$ (34,616)
Stock-based compensation	—	—	—	—	—	—	46	—	—	46
Series B preferred stock dividends	—	—	—	—	—	—	—	—	(9,927)	(9,927)
Net loss	—	—	—	—	—	—	—	—	(1,281)	(1,281)
Unrealized loss on derivative instrument	—	—	—	—	—	—	—	(76)	—	(76)
Balance at December 31, 2012	380,000	4	4,166,991	—	2,340,353	—	525,281	(816)	(570,323)	(45,854)
Stock-based compensation	—	—	—	—	—	—	53	—	—	53
Series B preferred stock adjustment to fair value at redemption date	—	—	—	—	—	—	—	—	87,563	87,563
Series B preferred stock dividends	—	—	—	—	—	—	—	—	(7,859)	(7,859)
Net loss	—	—	—	—	—	—	—	—	(88,566)	(88,566)
Unrealized gain on derivative instrument	—	—	—	—	—	—	—	214	—	214
Balance at December 31, 2013	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,334	$ (602)	$ (579,185)	$ (54,449)

See accompanying notes to consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC.
AND SUBSIDIARIES
Consolidated Statements of Cash Flows
Years ended December 31, 2013 and 2012
(In thousands)

	2013	2012
Cash flows from operating activities:		
Net loss	$ (88,566)	(1,281)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Series B preferred stock adjustment to contract settlement value at reporting date classified as interest expense	87,563	—
Dividends on Series B preferred stock classified as interest expense	2,028	—
Gain on the disposal of assets	(25)	(15)
Impairment charges and restructuring costs	889	379
Stock-based compensation	53	46
Depreciation and amortization	5,166	5,464
Net barter income	(537)	(388)
Provision for trade doubtful accounts	1,085	1,091
Loss on early extinguishment of debt	—	391
Amortization of deferred financing costs	3,337	3,122
Amortization of original issued discount	1,332	1,056
Deferred income taxes	(2,877)	1,681
Unearned revenue-barter	440	147
Changes in operating assets and liabilities:		
Trade receivables	(4,501)	(3,967)
Prepaid expenses and other current assets	(617)	299
Other assets	(426)	66
Accounts payable and accrued expenses	3,142	(400)
Accrued interest	(68)	7,059
Other liabilities	(273)	(187)
Net cash provided by operating activities	7,145	14,563
Cash flows from investing activities:		
Purchases of property and equipment	(2,307)	(1,591)
Proceeds from the sale of property and equipment	36	10
Net cash used in investing activities	(2,271)	(1,581)
Cash flows from financing activities:		
Proceeds from 12.5% senior secured notes due 2017	—	266,750
Payment of financing costs	—	(15,755)
Payment of senior credit facility term loan 2012	—	(303,063)
Payment of series B preferred stock and/or related cash dividends	(4,959)	(2,481)
Payments of other long-term debt	(3,009)	(3,039)
Net cash used in financing activities	(7,968)	(57,588)
Net decrease in cash and cash equivalents	(3,094)	(44,606)
Cash and cash equivalents at beginning of year	26,660	71,266
Cash and cash equivalents at end of year	$ 23,566	26,660
Supplemental cash flows information:		
Interest paid	$ 35,074	25,238
Income tax paid, net	$ —	298
Noncash investing and financing activities:		
Transfer of prepaid expenses and other current assets to deferred financing costs	$ —	(1,861)
Unrealized gain (loss) on derivative instruments	$ 214	(76)
Accrual of Series B preferred stock dividends not declared	$ 2,900	7,446
Series B preferred stock adjustment to fair value at redemption date	$ 87,563	—

See accompanying notes to consolidated financial statements.

(1) Organization and Nature of Business

Spanish Broadcasting System, Inc., a Delaware corporation, and its subsidiaries owns and/or operates 20 radio stations in the Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco markets. In addition, we own and operate three television stations, which operate as one television operation, branded as "MegaTV." We also have various MegaTV broadcasting outlets under affiliation or programming agreements. As part of our operating business, we operate LaMusica.com, Mega.tv, and our radio station websites, which are bilingual Spanish-English websites providing content related to Latin music, entertainment, news and culture. We also occasionally produce live concerts and events throughout the U.S., including Puerto Rico.

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

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

(2) Summary of Significant Accounting Policies and Related Matters

(a) Basis of Presentation

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

The consolidated financial statements have been prepared on a going-concern basis, which contemplates the realization of assets and the satisfaction of liabilities in the normal course of business. As of December 31, 2013, we had a working capital deficit due to the reclassification of our series B preferred stock as a current liability, even though under Delaware law the series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of, or remedies available to, creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to repurchase the series B preferred stock and its accumulated unpaid dividends and management does not expect to be required to make any such repurchases during the next twelve months. Management does not believe that the Series B preferred stockholders have legal remedies that would require such repurchases (see note 10).

(b) 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 or determinable price and reasonable assurance of collection. Our revenue is presented net of agency commissions. Agency commissions are calculated based on a stated percentage applied to gross billing revenue. Advertisers remit the gross billing amount to the agency, and then 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, which are included in accounts payable and accrued expenses.

(c) 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. For each of the years ended December 31, 2013 and 2012, we incurred bad debt expense of $1.1 million. Changes in the credit worthiness of customers, general economic conditions and other factors may impact the level of future write-offs.

(d) Property and Equipment

Property and equipment, including capital leases, are stated at historical cost, less accumulated depreciation and amortization. We depreciate the cost of our property and equipment using the straight-line method over the respective estimated useful lives (see note 5). Leasehold improvements are amortized on a straight-line basis over the shorter of the remaining life of the lease or the useful life of the improvements.

Maintenance and repairs are charged to expense as incurred; improvements are capitalized. When items are retired or are otherwise disposed of, the related costs and accumulated depreciation and amortization are removed from the accounts and any resulting gains or losses are credited or charged to operating income.

(e) Impairment or Disposal of Long-Lived Assets

Accounting for impairment or disposal of long-lived assets requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future net cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized in the amount by which the carrying amount of the asset exceeds the estimated fair value of the asset.

(f) FCC Broadcasting Licenses

Our indefinite-lived intangible assets consist of FCC broadcasting licenses. FCC broadcasting licenses are granted to stations for up to eight years under the Telecommunications Act of 1996. 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. The weighted-average period before the next renewal of our FCC broadcasting licenses is 2.7 years.

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 Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("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 consolidated financial statements in the future.