



# Spanish Broadcasting System, Inc.

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

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

**7007 NW 77th Ave.**  
**Miami, Florida 33166**  
(Address of principal executive offices) (Zip Code)

**(305) 441-6901**  
(Company's telephone number, including area code)

Title of each class  
Common Stock, par value \$0.0001 per share

Trading Symbol(s)  
SBSAA

Name of each exchange on which registered  
OTC Pink Market

Transfer Agent  
Broadridge Corporate Solutions, Inc.  
51 Mercedes Way  
Edgewood, New York 11717

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## Independent Auditor's Report

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

### Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Spanish Broadcasting System, Inc. which comprise the consolidated balance sheets as of December 31, 2020 and 2019 and the related consolidated statements of operations, changes in stockholders' deficit, and cash flows for the years then ended, and the related notes to the financial statements.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

*auditor's responsibility*

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

Consolidated Balance Sheets  
December 31, 2020 and 2019  
(In thousands, except share data)

Assets	December 31, 2020	December 31, 2019
Current assets:		
Cash and cash equivalents	\$ 28,178	\$ 20,856
Receivables:		
Trade	45,145	40,394
Barter	189	197
	45,334	40,591
Less allowance for doubtful accounts	3,411	1,122
Net receivables	41,923	39,469
Prepaid expenses and other current assets	6,529	7,475
Assets held for sale	—	12,474
Total	—	—



**SPANISH BROADCASTING SYSTEM, INC.  
AND SUBSIDIARIES**  
Consolidated Statements of Changes in Stockholders' Deficit  
Years Ended December 31, 2020 and 2019  
(In thousands, except share data)

	Series C convertible preferred stock		Class A common stock		Class B common stock		Additional paid-in capital	Accumulated deficit	Total stockholders' deficit
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value			
Balance at December 31, 2018	380,000	\$ 4	4,241,991	\$ —	2,340,353	\$ —	\$ 526,191	\$ (605,574)	\$ (79,379)
Stock-based compensation	—	—	—	—	—	—	10	—	10
Net loss	—	—	—	—	—	—	—	(928)	(928)
Issuance of Class A common stock	—	—	—	—	—	—	—	—	—
Balance at December 31, 2019	380,000	4	4,241,991	—	2,340,353	—	526,201	(606,502)	(80,297)
Stock-based compensation	—	—	—	—	—	—	4	—	4
Net loss	—	—	—	—	—	—	—	(25,119)	(25,119)
Balance at December 31, 2020	380,000	\$ 4	4,241,991	\$ —	2,340,353	\$ —	\$ 526,205	\$ (631,621)	\$ (105,412)

See accompanying notes to consolidated financial statements.



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

Notes to Consolidated Financial Statements

December 31, 2020 and 2019

**(1) Organization and Nature of Business 9**





**(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

*(d)*

fair value of its radio reporting unit is less than the carrying amount, the Company will recognize an impairment charge for the amount by which the carrying amount exceeds the fair value. The loss recognized will not exceed the total amount of goodwill.

During the quarter ended March 31, 2020, the Company assessed qualitative factors and identified a triggering event for impairment due to the impact of the COVID-19 pandemic on the economy. We performed an interim review of our goodwill and determined there was no impairment of goodwill. The Company also elected to bypass the qualitative assessments and perform quantitative assessments of its goodwill during the second, third and fourth quarters of 2020 and determined that there was no impairment of goodwill.

Based on our testing and evaluation it was determined that there was no impairment of goodwill for the years-ended December 31, 2020 and 2019.

***(h) Cash and Cash Equivalents***

Cash and cash equivalents consist of cash and money market accounts at various commercial banks. All cash equivalents have original maturities of 90 days or less.

***(i) Income Taxes***

We file a consolidated federal income tax return for substantially all of our domestic operations. We are also subject to foreign taxes on our Puerto Rico operations. We account for income taxes under the asset and liability method. Deferred tax assets and

**(k) *Contingent Liabilities and Gains***

Accounting standards require that an estimated loss from a loss contingency shall be accrued when information available prior to the issuance of the financial statements indicate that it is probable that an asset has been impaired or a liability has been incurred at the date of the financial statements and when the amount of the loss can be reasonably estimated. Accounting for contingencies such as legal and income tax matters requires us to use our judgment. We believe that our accruals for these matters are adequate. Contingencies that might result in gains are disclosed but not reflected in the financial statements until realization has occurred.

**(l) *Use of Estimates***

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, and 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. Significant items subject to such estimates and assumptions include the allowance for doubtful accounts, the realization of deferred tax assets, the useful lives and future cash flows used for testing the recoverability of property and equipment, the recoverability of FCC broadcasting licenses, and goodwill, the recoverability of right-of-use assets, the fair value of Level 2 and Level 3 financial instruments which include the Series B preferred stock, production tax credits, the assessment as to whether it is reasonably certain that we will exercise our options to extend lease terms when available, the present value of lease payments used to calculate our lease liabilities and related right-of-use assets which includes the use of estimated incremental borrowing rate ("IBR"), contingencies and litigation. These estimates and assumptions are based on management's best judgments. Management evaluates its estimates and assumptions on an ongoing basis using historical experience and other factors, including the current economic environment, which management believes to be reasonable under the circumstances. Management adjusts such estimates and assumptions as facts and circumstances dictate. Illiquid credit markets, volatile equity markets and reductions in advertising spending have combined to increase the uncertainty inherent in such estimates and asescum

*(n) Basic and Diluted Net Loss Per Common Share*

Basic net loss per common share was computed by dividing net loss available to common stockholders by the weighted average

**(q) Leasing (Operating Leases)**

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

**(r) Segment Reporting**

Accounting standards establish the way public business enterprises report information about operating segments in annual financial statements and require those enterprises to report selected information about operating segments in interim financial reports issued to stockholders. Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision-maker in deciding how to allocate resources and in assessing performance. We have two reportable segments: radio and television (see Note 18).

**(3) Revenue**

In accordance with ASC 606, revenue is recognized when a customer obtains control of promised services. The amount of revenue recognized and reported reflects the consideration to which the Company expects to be entitled to receive in exchange for these services and entitled under the contract. Substantially all deferred revenue is recognized within twelve months of the payment date. To achieve this core principle, the Company applies the following five steps:

- 1) Identify the contract with a customer,
- 2) Identify the performance obligations in the contract,
- 3) Determine the transaction price,
- 4) Allocate the transaction price to performance obligations in the contract, and
- 5) Recognize revenue when or as the Company satisfies a performance obligation.

**Disaggregation of Revenue**

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A contract for local, national, digital and network advertising exists only at the time commercial substance is present. For each contract, the Company considers the promise to air or display advertisements, each of which is distinct, to be the identified performance obligation. The price as specified on a customer purchase order is considered the standalone selling price as it is an observable input which depicts the price as if sold to a similar customer in similar circumstances. Revenue is recognized when control is transferred to the customer (i.e. when the Company's performance obligation is satisfied), which typically occurs as an advertisement airs or appears.

**(b) Special events**



**Significant Judgments**

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

**Contract Balances**

During the years ended December 31, 2020 and 2019, there were \$0.3 million and \$0.4 million of local, national and digital revenue recognized that were included in the unearned revenue balances at the beginning of each period, respectively. During the years ended December 31, 2020 and 2019, there were \$0.3 million and \$0.1 million of special events revenue recognized that were included in the unearned balances at the beginning of each period, respectively. During years ended December 31, 2020 and 2019, there were \$0.3 million and \$0.5 million of barter revenue that were included in the unearned revenue balances at the beginning of each period, respectively. Network and other revenue recognized during the years ended December 31, 2020 and 2019, that were included in unearned revenue balances at the beginning of each period were \$0.6 million and \$0.5 million, respectively. Total unearned revenue balances at the beginning of each period were \$1.7 million and \$1.9 million, respectively.

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

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

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

The following table summarizes the components of lease cost for the years ended December 31, 2020 and 2019 (in thousands):

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Operating lease cost	\$ 4,018	\$ 4,202
Sublease income	(343)	(1,872)
Total lease cost	<u>\$ 3,675</u>	<u>\$ 2,330</u>

At December 31, 2020 and 2019, amounts reported in the Consolidated Balance Sheet are as follows (in thousands):

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
<b>Operating Leases:</b>		
Operating lease right-of-use assets	\$ 20,509	\$ 17,978
Operating lease liabilities	824	948
Operating lease liabilities - net of current portion	21,023	17,538
Total operating lease liabilities	<u>\$ 21,847</u>	<u>\$ 18,486</u>
<b>Other information</b>		
Operating cash flows from operating leases	\$ 2,632	\$ 1,775
Right-of-use assets obtained in exchange for new lease liabilities	\$ 4,213	\$ 7,701
Weighted-average remaining lease term	14.7 years	13.8 years
Weighted average discount rate	12.6%	12.7%

Future minimum lease payments under operating leases as of December 31, 2020 are as follows (in thousands):

Year ending December 31:

2021	\$ 3,495	\$ 3,202
2022	3,479	2,976
2023	3,305	2,922

**(6) Assets and Liabilities Held for Sale**

During 2019, the Company entered into a brokerage agreement with a broker to market various assets related to our Houston, KTBU, operations which are part of our television assets. The Company's KTBU FCC license, certain transmission related fixed assets and an operating lease related to the transmission site had been reclassified to assets and liabilities held for sale, at December 31, 2019, as these assets were approved for immediate sale in their present condition, were expected to be sold within one year and management was actively working to locate buyers for these assets. On January 21, 2020, the Company entered into an asset purchase agreement with KHOU-TV, Inc. to sell various assets related to our Houston, KTBU television operations for \$15 million, exclusive of closing costs, and subsequently closed on the sale on March 23, 2020. The Company recognized a gain on the sale of the KTBU assets of \$3.2 million.

Under Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 205-20-45, Discontinued Operations, a disposal of a component of an entity shall be reported in discontinued operations if the disposal represents a strategic shift that



On February 5, 2021, the Company entered into the Series B Settlement Agreement and Series B Purchase Agreement with holders owning 85,265 shares of our Series B preferred stock (collectively, the “Series B Preferred Stock Transaction Agreement”). Pursuant to the Series B Settlement Agreement, we, together with the Selling Series B Preferred Holders, agreed to fully resolve and settle any and all claims and causes of action arising out of, or related to, the Preferred Holder Complaint or the Series B preferred stock. We entered into the Series B Purchase Agreement with the Selling Series B Preferred Holders and agreed to acquire all of the Series B preferred stock held by such parties for their pro rata share of the following: (i) an aggregate cash purchase price of \$60 million and (ii) 1,939,365 (adjusted for fractional shares) shares of our Class A Common Stock, all of which is subject to the terms and conditions of the Series B Purchase Agreement. We redeemed the remaining 5,283 shares, or 5.84%, of the Series B preferred stock that were not to be acquired pursuant to the Series B Purchase Agreement by redeeming such Series B preferred stock in accordance with the terms of the Certificate of Designations. s

Series B preferred stock has a liquidation preference of \$1,000 per share and is on parity with the Series C preferred stock with respect to dividend rights and rights upon liquidation, winding up and dissolution of SBS.

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

**2006 Omnibus Equity Compensation Plan**

In July 2006, we adopted an omnibus equity compensation plan (the “Omnibus Plan”) in which grants of Class A common stock can be made to participants in any of the following forms: (i) incentive stock options, (ii) nonqualified stock options, (iii) stock appreciation rights, (iv) stock units, (v) stock awards, (vi) dividend equivalents, and (vii) other stock-based awards. The Omnibus Plan authorizes up to 350,000 shares of our Class A common stock. The Omnibus Plan





**(12) Commitments**

**(a) Employment and Service Agreements**

At December 31, 2020, we are committed to employment and service contracts for certain executives, on-air talent, general managers, and others expiring through 2025. Future payments under such contracts are as follows (in thousands):

Year ending December 31:	
2021	\$ 9,729
2022	6,463
2023	2,016
2024	467
2025	241
Thereafter	—
	<u>\$ 18,916</u>

**(b) 401(k) Profit-Sharing Plan**

In September 1999, we adopted a tax-qualified employee savings and retirement plan (the “401(k) Plan”). We can make matching and/or profit-sharing contributions to the 401(k) Plan on behalf of all participants at our sole discretion. All full-time employees are eligible to voluntarily participate

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The components of the provision for income tax (benefit) expense from continuing operations included in the consolidated statements of operations are as follows for the years ended December 31, 2020 and 2019 (in thousands):

	<b>2020</b>	<b>2019</b>
<b>Current:</b>		
Federal	\$ 72	\$ 73
State and local, net of federal income tax benefit	249	81
Foreign	(1,055)	1,952
	<u>(734)</u>	<u>2,106</u>
<b>Deferred:</b>		
Federal	(2,517)	(1,785)
State and local, net of federal income tax benefit	(1,710)	(1,721)
Foreign	2,572	—
	<u>(1,655)</u>	<u>(3,506)</u>
Total income benefit from continuing operations	<u>\$ (2,389)</u>	<u>\$ (1,400)</u>

For the year ended December 31, 2020 and 2019, approximately \$3.1 million and \$3.3 million, respectively, of Puerto Rico NOL carry-forwards

The net change in the total valuation allowance for the years ended December 31, 2020 and 2019 was an increase of \$2.1 million and an increase of \$6.9 million, respectively. The valuation allowance at 2020 and 2019 was primarily related to domestic pre tax reform carry-forwards, future deductible amounts related to the excess tax basis over the book basis of certain FCC broadcasting licenses, intercompany expenses, production costs, and other various items. In 2020, the overall increase in the valuation allowance was a result of the return to provision adjustments to pre-reform NOLs due to the passing of the CARES ACT.

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning strategies in making this assessment. Management also considered the company's going concern as part of their assessment. As of December 31, 2020, the valuation allowance is comprised of \$35.2 million in the US and \$24.4 million in Puerto Rico. If the realization of deferred tax assets in the future is considered more likely than not, an adjustment to the deferred tax assets would increase net income in the period such determination is made.

Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, at this time, management believes it is more likely than not

In 2019, the CARES ACT had not yet been enacted. This enactment impacted the company's NOL, 163(j) and valuation allowance. The company also impaired intangible assets in 2020, which significantly reduced pre-tax book income. The impairment is non-deductible for tax purposes, therefore resulting in an unfavorable adjustment.

U.S. Federal jurisdiction and the jurisdictions of Florida, New York, California, Illinois, Texas and Puerto Rico are the major tax jurisdictions where we file income tax returns. The tax years that remain subject to assessment of additional liabilities by the federal, state and local tax authorities are 2017 through 2019. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2013 through 2019.

For the years ended December 31, 2020 and 2019, we did not have any unrecognized tax benefits as a result of tax positions taken during a prior period or during the current period. No interest or penalties have been recorded as a result of tax uncertainties. Our evaluation was performed for the tax years ended December 31, 2017 through December 31, 2019, which are the tax years that

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**(17) Fair Value Measurement Disclosures**

**(a) Fair Value of Financial Instruments**

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

**(18) Segment Data**

The following summary table presents separate financial data for each of our operating segments. The accounting applied to

	Year Ended	
	December 31,	
	2020	2019
<b>Capital expenditures:</b>		
Radio	\$ 1,514	\$ 2,003
Television	560	1,337
Corporate	461	458
Consolidated	<u>\$ 2,535</u>	<u>\$ 3,798</u>

	December 31,	
	2020	2019
<b>Total Assets:</b>		
Radio	\$ 406,320	\$ 407,633
Television	41,283	58,465
Corporate	3,616	2,946
Consolidated	<u>\$ 451,219</u>	<u>\$ 469,044</u>

**(19) Retirement of Senior Executive Vice President and Chief Financial Officer**

On May 31, 2019, the Company entered into a Separation Agreement (the “Separation Agreement”) with our former Senior Executive Vice President and Chief Financial Officer (“SEVP/CFO”). Pursuant to the Separation Agreement, effective May 31, 2019 (the “Separation Date”), the former SEVP/CFO resigned as an officer and employee of the Company, but will continue to serve as a director of the Company.

Under the Separation Agreement, the former SEVP/CFO received his earned base salary and expenses through the Separation Date, plus \$1,750,000 in cash severance. The cash severance amount represents two times his base salary (that he was entitled to receive under his employment agreement with the Company plus an additional \$700,000, and the cash severance will be paid out over a 12 month period. The former SEVP/CFO’s vested stock options will also remain exercisable following st.8(e)]T Td at(s)000.0048Tjw 0.004





following the occurrence and during the continuation of a Leverage Fall Away Trigger, either (i) LIBOR plus a margin of 4.00% (stepping down to 3.75% upon the net leverage ratio reaching 5.0x) or (ii) the base rate plus a margin of 3.00% (stepping down to 2.75% upon the net leverage ratio reaching 5.0x).

All obligations under the New Revolving Credit Facility are secured by (a) a first priority lien on all accounts receivable, cash, deposit accounts, and proceeds thereof ~~held by the Company~~ (0( an)2.9(C Tw 0.2bd)-4(ep)(16.2(c)4.3(hi)6.9(ng01 Tca)4.2( )613 Tw 1.729 0 Td

## **Management's Discussion and Analysis of Financial Condition and Results of Operations**

### ***General Overview***

We are a leading Spanish-language media and entertainment company with radio and television operations, together with live concerts and events, mobile, digital and interactive media platforms, which reach the growing U.S. Hispanic population, including Puerto Rico. We produce and distribute original Spanish-language content, including radio programs, television shows, music and live entertainment through our multi-media platforms. We operate in two reportable segments: radio and television.

We own and operate radio stations located in some of the top 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



2020 within operating income on its consolidated statements of operations.

Our



The following summary table presents a comparison of our operating results of operations for the years ended December 31, 2020 and 2019. Various fluctuations illustrated in the table are discussed below. This section should be read in conjunction with our consolidated financial statements and related notes.

	<b>Year Ended</b>	
	<b>December 31,</b>	
	<b>2020</b>	<b>2019</b>
Net revenue	\$ 121,939	\$ 156,665
Engineering and programming expenses	26,463	28,881
Selling, general and administrative expenses	52,997	64,792
Corporate expenses	8,533	11,721
Depreciation and amortization	3,261	3,602
(Gain) loss on disposal of assets, net of disposal costs	(3,261)	365
Recapitalization costs	4,679	6,845
Executive severance expenses	—	1,844
Impairment charges	14,352	—
Other operating expense (income)	1,102	(16)
Operating income	\$ 13,813	\$ 38,631
Interest expense	(31,587)	(31,245)
Dividends on Series B preferred stock classified as interest expense	(9,734)	(9,734)
Interest income	—	20
Income tax benefit	(2,389)	(1,400)
Net loss	<u>\$ (25,119)</u>	<u>\$ (928)</u>

### ***Overview***

For the twelve months ended December 31, 2020, our business was significantly impacted by the COVID-19 pandemic as advertising demand weakened and live events were postponed. Subsequent to the quarter ending June 30, 2020, we observed sequential quarter over quarter increases in advertising demand in both our radio and television segments despite the continued effects of the COVID-19 pandemic. During this time, we also implemented cost savings strategies to align our operating expenses with the current market conditions. Additionally, we received \$6.5 million of PPP proceeds that were directly used to offset and reduce employee related costs.

### ***Net Revenue***

The decrease in our consolidated net revenues of \$34.7 million or 22% was due to a decrease in our radio segment net revenue offset by an increase in our television segment net revenue.





***Income Tax Benefit***

Income tax benefit increased \$1.0 million, from a benefit of \$1.4 million in 2019 to a benefit of \$2.4 million in 2020 primarily

Historically, we have and will continue to evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution, programming and affiliation agreements in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. Historically, we have engaged and will continue to discuss potential acquisitions and/or dispositions and expansion of our content through media outlets from time to time in the ordinary course of business.

Given the uncertainty in the duration of the COVID-19 pandemic, the Company applied for and on April 15, 2020 received an unsecured PPP Loan in the amount of \$6,478,800 in order to avoid near term layoffs and to support the Company's ongoing operations which is providing vital information and entertainment to its Latino communities. The Company applied for forgiveness of the PPP Loan within the required timeframe and used the proceeds to maintain employment and compensation levels and pay benefits. On October 8, 2020, our lender approved the Company's application for the forgiveness of its PPP Loan and submitted our approved forgiveness application to the SBA. On April 6, 2021, the SBA informed the Company that the PPP Loan and the accumulated and unpaid interest had been forgiven in its entirety.

### ***Series C Preferred Stock***

We are required to pay holders of Series C convertible preferred stock, \$0.01 par value per share (the "Series C preferred stock") dividends on parity with our Class A common stock and Class B common stock, and each other class or series of our capital stock created after December 23, 2004. Each share of Series C preferred stock is convertible at the option of the holder into two fully paid and non-assessable shares of the Class A common stock. The Series C preferred stock holders have the same voting rights and powers as our Class A common stock on an as-converted basis, subject to certain adjustments. The Certificate of Designations for the Series C preferred stock does not contain a voting rights triggering event provision like the one found in the Certificate of Designations for the Series B preferred stock. Each holder of Series C preferred stock (i) has preemptive rights to purchase its pro rata share of any equity

## **Summary of Capital Resources**

The following summary table presents a comparison of our capital resources for the years ended December 31, 2020 and 2019, 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.

### **Special Note Regarding Forward-Looking Statements**

This Year End Reporting Package contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements. Spanish Broadcasting System, Inc. intends such forward-looking statements to be covered by the safe harbor provisions of the Securities Act of 1933 and the Securities Exchange Act of 1934.