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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from to

Commission file number 000-27823

Spanish Broadcasting System, Inc.
(Exact name of registrant as specified in its charter)

Delaware	**13-3827791**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2601 South Bayshore Drive, PH 2
Coconut Grove, Florida 33133
(Address of principal executive offices) (Zip Code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company) Smaller reporting company ☒

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

As of May 9, 2012, 4,166,991 shares of Class A common stock, par value $0.0001 per share, 2,340,353 shares of Class B common stock, par value $0.0001 per share and 380,000 shares of Series C convertible preferred stock, $0.01 par value per share, which are convertible into 760,000 shares of Class A common stock, were outstanding.

SPANISH BROADCASTING SYSTEM, INC.
INDEX

Special Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains both historical and forward-looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, (the “Securities Act”) and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”). These forward-looking statements are not based on historical facts, but rather reflect our current expectations concerning future results and events. These forward-looking statements generally can be identified by the use of statements that include phrases such as “believe”, “expect”, “anticipate”, “intend”, “estimate”, “plan”, “project”, “foresee”, “likely”, “will” or other words or phrases with similar meanings. Similarly, statements that describe our objectives, plans or goals are, or may be, forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance or achievements to be different from any future results, performance and anticipated achievements expressed or implied by these statements. We do not intend to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In addition, forward-looking statements are subject to certain risks and uncertainties that could cause actual results to differ materially from our historical experience and our present expectations or projections. These risks and uncertainties include, but are not limited to those described in our Annual Report on Form 10-K for the year ended December 31, 2011, and those described from time to time in our future reports filed with the Securities and Exchange Commission (the “SEC”).

PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements—Unaudited***

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

	March 31, 2012	December 31, 2011
	(In thousands, except share data)	
Assets		
Current assets:		
Cash and cash equivalents	$ 27,403	71,266
Receivables, net of allowance for doubtful accounts of $835 in 2012 and $844 in 2011	21,311	23,797
Prepaid expenses and other current assets	2,913	4,354
Total current assets	51,627	99,417
Property and equipment, net of accumulated depreciation of $59,221 in 2012 and $57,834 in 2011	40,636	41,743
FCC broadcasting licenses	323,055	323,055
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of $445 in 2012 and $380 in 2011	2,102	2,168
Deferred financing costs, net of accumulated amortization of $538 in 2012 and $7,137 in 2011	16,829	465
Other assets	1,845	1,858
Total assets	$ 468,900	501,512
Liabilities and Stockholders' Deficit		
Current liabilities:		
Accounts payable and accrued expenses	$ 17,762	16,783
Accrued interest	5,521	280
Unearned revenue	819	914
Other liabilities	823	795
Current portion of the senior credit facility term loan due 2012	—	36,313
Current portion of other long-term debt	3,013	3,039
Series B cumulative exchangeable redeemable preferred stock dividends payable	24,405	21,923
Total current liabilities	52,343	80,047
Other liabilities, less current portion	502	603
Derivative instruments	825	740
12.5% senior secured notes due 2017, net of unamortized discount	266,917	—
Senior credit facility term loan due 2012, less current portion	—	266,750
Other long-term debt, less current portion	11,185	11,271
Deferred income taxes	85,600	84,368
Total liabilities	417,372	443,779
Commitments and contingencies (note 6)		
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 March 31, 2012 and December 31, 2011	92,349	92,349
Stockholders' deficit:		
Series C convertible preferred stock, $0.01 par value and liquidation value. Authorized 600,000 shares; 380,000 shares issued and outstanding at March 31, 2012 and December 31, 2011	4	4
Class A common stock, $0.0001 par value. Authorized 100,000,000 shares; 4,166,991 shares issued and outstanding at March 31, 2012 and December 31, 2011	—	—
Class B common stock, $0.0001 par value. Authorized 50,000,000 shares; 2,340,353 shares issued and outstanding at March 31, 2012 and December 31, 2011	—	—
Additional paid-in capital	525,260	525,235
Accumulated other comprehensive loss, net	(825)	(740)
Accumulated deficit	(565,260)	(559,115)
Total stockholders' deficit	(40,821)	(34,616)
Total liabilities and stockholders' deficit	$ 468,900	501,512

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations
and Comprehensive (Loss) Income

	Three-Months Ended March 31, 2012	Three-Months Ended March 31, 2011
	(In thousands, except per share data)	
Net revenue	$ 32,094	30,775
Operating expenses:		
Engineering and programming	8,404	10,206
Selling, general and administrative	15,006	13,179
Corporate expenses	2,352	1,931
Depreciation and amortization	1,453	1,339
	27,215	26,655
(Gain) loss on the disposal of assets, net	—	(7)
Impairment charges and restructuring costs	56	—
Operating income	4,823	4,127
Other (expense) income:		
Interest expense, net	(6,838)	(2,036)
Loss on early extinguishment of debt	(391)	—
(Loss) income before income taxes	(2,406)	2,091
Income tax expense	1,257	1,781
Net (loss) income	(3,663)	310
Dividends on Series B preferred stock	(2,482)	(2,482)
Net loss applicable to common stockholders	$ (6,145)	(2,172)
Basic & Diluted net loss per common share	$ (0.85)	(0.30)
Weighted average common shares outstanding:		
Basic & Diluted	7,267	7,267
Net (loss) income	$ (3,663)	310
Other comprehensive (loss) income, net of taxes - unrealized (loss) gain on derivative instrument	(85)	66
Total comprehensive (loss) income	$ (3,748)	376

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficit
for the Three-Months Ended March 31, 2012

	Class C preferred stock		Class A common stock		Class B common stock		Additional	Accumulated other		Total
	Number of shares	Par value	Number of shares	Par value	Number of shares	Par value	paid-in capital	comprehensive loss, net	Accumulated deficit	stockholders' deficit
	(In thousands, except share data)									
Balance at December 31, 2011	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,235	$ (740)	$ (559,115)	$ (34,616)
Stock-based compensation	—	—	—	—	—	—	25	—	—	25
Series B preferred stock dividends	—	—	—	—	—	—	—	—	(2,482)	(2,482)
Comprehensive loss:										
Net loss	—	—	—	—	—	—	—	—	(3,663)	(3,663)
Other comprehensive loss	—	—	—	—	—	—	—	(85)	—	(85)
Balance at March 31, 2012	380,000	$ 4	4,166,991	$ —	2,340,353	$ —	$ 525,260	$ (825)	$ (565,260)	$ (40,821)

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Cash Flows

	Three-Months Ended March 31, 2012	2011
	(In thousands)	
Cash flows from operating activities:		
Net (loss) income	$ (3,663)	310
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
(Gain) loss on the disposal of assets	—	(7)
Impairment charges and restructuring costs	56	—
Stock-based compensation	25	31
Depreciation and amortization	1,453	1,339
Net barter (income) loss	(103)	127
Provision for trade doubtful accounts	61	172
Loss on early extinguishment of debt	391	—
Amortization of deferred financing costs	645	263
Amortization of orginal issued discount	167	—
Deferred income taxes	1,232	1,741
Unearned revenue	88	335
Changes in operating assets and liabilities:		
Trade receivables	2,345	4,406
Prepaid expenses and other current assets	1,408	652
Other assets	13	(76)
Accounts payable and accrued expenses	660	1,657
Accrued interest	5,241	(998)
Other liabilities	(129)	(225)
Net cash provided by operating activities	9,890	9,727
Cash flows from investing activities:		
Purchases of property and equipment	(364)	(1,737)
Proceeds from the sale of property and equipment	—	13
Net cash used in investing activities	(364)	(1,724)
Cash flows from financing activities:		
Proceeds from 12.5% senior secured notes due 2017	266,750	—
Payment of financing costs	(16,964)	—
Payment of senior secured credit facility term loan 2012	(303,063)	(813)
Payment of Series B preferred stock cash dividends	—	—
Payments of other long-term debt	(112)	(124)
Net cash used in financing activities	(53,389)	(937)
Net (decrease) increase in cash and cash equivalents	(43,863)	7,066
Cash and cash equivalents at beginning of period	71,266	55,140
Cash and cash equivalents at end of period	$ 27,403	62,206
Supplemental cash flows information:		
Interest paid	$ 775	1,758
Income taxes paid, net	$ —	8
Noncash investing and financing activities:		
Accrual of Series B preferred stock cash dividends not declared	$ 2,482	2,482
Unrealized (loss) gain on derivative instruments	$ (85)	66

See accompanying notes to the unaudited condensed consolidated financial statements.

SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The unaudited condensed consolidated financial statements include the accounts of Spanish Broadcasting System, Inc. and its subsidiaries (the Company, we, us, our or SBS). All intercompany balances and transactions have been eliminated in consolidation. The accompanying unaudited condensed consolidated financial statements as of March 31, 2012 and December 31, 2011 and for the three-month periods ended March 31, 2012 and 2011 have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 8-03 of Regulation S-X. They do not include all information and notes required by U.S. GAAP for complete financial statements. These unaudited condensed consolidated financial statements should be read in conjunction with our consolidated financial statements as of, and for the fiscal year ended December 31, 2011, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011. In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments, which are all of a normal and recurring nature, necessary for a fair presentation of the results of the interim periods. Additionally, we evaluated subsequent events after the balance sheet date of March 31, 2012 through the financial statements issuance date. The results of operations for the three-months ended March 31, 2012 are not necessarily indicative of the results for a full year.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements. Significant items subject to such estimates and assumptions include: the useful lives of fixed assets, allowance for doubtful accounts, the valuation of derivatives, deferred tax assets, fixed assets, intangible assets, stock-based compensation, 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 assumptions. Actual results could differ from these estimates.

2. Stockholders' Deficit

(a) Reverse Stock Split of our Class A and Class B Common Stock

On July 5, 2011, we filed the Certificate of Amendment with the Secretary of State of the State of Delaware, which effected a one-for-ten (1-for-10) reverse stock split of our outstanding Class A common stock, par value $0.0001 per share (the "Class A common stock") and Class B common stock, par value $0.0001 per share (the "Class B common stock"). The reverse stock split became effective at 11:59 p.m., Eastern Daylight Time on July 11, 2011.

The reverse stock split was approved by our stockholders at the annual meeting held on June 1, 2011. The trading of our common stock on the NASDAQ Global Market on a split-adjusted basis began at the opening of trading on July 12, 2011, at which time the symbol changed to SBSAD to indicate that the reverse stock split had occurred. The symbol returned to the normal SBSA at the open of the market on August 9, 2011.

As a result of the reverse stock split, each ten (10) outstanding shares of pre-split common stock automatically combined into one (1) share of post-split common stock. No fractional shares were issued. Proportional adjustments were made to our outstanding stock, stock options and other equity awards and to our equity compensation plans to reflect the reverse stock split. The consolidated financial statements for current and prior periods have been adjusted to reflect the change in number of shares.

(b) Series C Convertible Preferred Stock

On December 23, 2004, in connection with the closing of the merger agreement, dated October 5, 2004, with CBS Radio (formerly known as Infinity Media Corporation, CBS Radio), a division of CBS Corporation, Infinity Broadcasting Corporation of San Francisco ("Infinity SF") and SBS Bay Area, LLC, a wholly-owned subsidiary of SBS, pursuant to which SBS acquired the FCC license of Infinity SF (the "CBS Radio Merger"), we issued to CBS Radio an aggregate of 380,000 shares of Series C convertible preferred stock, $0.01 par value per share (the "Series C preferred stock"). 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 shares of Series C preferred stock issued at the closing of the CBS Radio Merger are convertible into 760,000 shares of Class A common stock, subject to certain adjustments. The number of Class A common stock shares reflects a 1-for-10 reverse stock split effectuated by the Company at 11:59 p.m., Eastern Daylight Time on July 11, 2011. In connection with the CBS Radio Merger, we also entered into a registration rights agreement with CBS Radio, pursuant to which CBS Radio may instruct us to file up to three registration statements, on a best efforts basis, with the SEC, providing for the registration for resale of the Class A common stock issuable upon conversion of the Series C preferred stock.

We are required to pay holders of 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.

(c) Class A and B Common Stock

The rights of the Class A common stock holders and Class B common stock holders are identical except with respect to their voting rights and conversion provisions. The Class A common stock is entitled to one vote per share and the Class B common stock is entitled to ten votes per share. The Class B common stock is convertible to Class A common stock on a share-for-share basis at the option of the holder at any time, or automatically upon a transfer of the Class B common stock to a person or entity which is not a permitted transferee (as described in our Certificate of Incorporation). Holders of each class of common stock are entitled to receive dividends and, upon liquidation or dissolution, are entitled to receive all assets available for distribution to stockholders. Neither the holders of the Class A common stock nor the holders of the Class B common stock have preemptive or other subscription rights, and there are no redemption or sinking fund provisions with respect to such shares. Each class of common stock is subordinate to our 10 3/4% Series B cumulative exchangeable redeemable preferred stock, par value $0.01 per share (the "Series B preferred stock"). The 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.

(d) Share-Based Compensation Plans

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) non-qualified 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 for issuance, subject to adjustment in certain circumstances. The Omnibus Plan provides that the maximum aggregate number of shares of Class A common stock units, stock awards and other stock-based awards that may be granted, other than dividend equivalents, to any individual during any calendar year is 100,000 shares, subject to adjustments.

Stock Options Activity

Stock options have only been granted to employees and directors. Our stock options have various vesting schedules and are subject to the employees and directors continuing their service to SBS. We recognize compensation expense based on the estimated grant date fair value using the Black-Scholes option pricing model and recognize the compensation expense using a straight-line amortization method. When estimating forfeitures, we consider voluntary termination behaviors, as well as trends of actual option forfeitures. Ultimately, our stock-based compensation expense is based on awards that vest. Our stock-based compensation has been reduced for estimated forfeitures.

A summary of the status of our stock options, as of December 31, 2011 and March 31, 2012, and changes during the three-months ended March 31, 2012, is presented below (in thousands, except per share data):

	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (Years)
Outstanding at December 31, 2011	159	$ 49.49		
Granted	—	—		
Exercised	—	—		
Forfeited	(15)	91.00		
Outstanding at March 31, 2012	144	$ 45.17	$ 133	4.9
Exercisable at March 31, 2012	141	$ 45.75	$ 133	4.8

During the three-months ended March 31, 2012 and 2011, no stock options were exercised; therefore, no cash payments were received. In addition, we did not recognize a tax benefit on our stock-based compensation expense due to our valuation allowance on substantially all of our deferred tax assets.

The following table summarizes information about stock options outstanding and exercisable at March 31, 2012 (in thousands, except per share data):

	Outstanding			Weighted Average Remaining Contractual Life (Years)	Exercisable	
Range of Exercise Prices	Vested Options	Unvested Options	Weighted Average Exercise Price		Number Exercisable	Weighted Average Exercise Price
$2.00 – 49.99	79	3	$ 14.50	6.9	79	$ 14.37
50.00 – 99.99	48	—	79.19	2.0	48	79.19
100.00 – 117.80	14	—	111.06	2.5	14	111.06
	141	3	$ 45.17	4.9	141	$ 45.75

3. Basic and Diluted Net (Loss) Income Per Common Share

Basic net (loss) income per common share was computed by dividing net (loss) income applicable to common stockholders by the weighted average number of shares of common stock and convertible preferred stock outstanding for each period presented, using the “if converted” method. Diluted net (loss) income per common share is computed by giving effect to common stock equivalents as if they were outstanding for the entire period.

The following is a reconciliation of the shares used in the computation of basic and diluted net income per share for the three-month periods ended March 31, 2012 and 2011 (in thousands):

	Three-Months Ended March 31,	
	2012	2011
Basic weighted average shares outstanding	7,267	7,267
Effect of dilutive equity instruments	—	—
Dilutive weighted average shares outstanding	7,267	7,267
Options to purchase shares of common stock and other stock-based awards outstanding which are not included in the calculation of diluted net income per share because their impact is anti-dilutive	125	167

4. Operating Segments

We have two reportable segments: radio and television. The following summary table presents separate financial data for each of our operating segments:

	Three-Months Ended March 31, 2012	Three-Months Ended March 31, 2011
	(In thousands)	
Net revenue:		
Radio	$27,778	26,441
Television	4,316	4,334
Consolidated	$32,094	30,775
Engineering and programming expenses:		
Radio	$ 5,307	6,409
Television	3,097	3,797
Consolidated	$ 8,404	10,206
Selling, general and administrative expenses:		
Radio	$12,958	10,836
Television	2,048	2,343
Consolidated	$15,006	13,179
Corporate expenses:	$ 2,352	1,931
Depreciation and amortization:		
Radio	$ 551	618
Television	780	575
Corporate	122	146
Consolidated	$ 1,453	1,339
(Gain) loss on the disposal of assets, net:		
Radio	$ —	(7)
Television	—	—
Corporate	—	—
Consolidated	$ —	(7)
Impairment charges and restructuring costs:		
Radio	$ —	—
Television	—	—
Corporate	56	—
Consolidated	$ 56	—
Operating income (loss):		
Radio	$ 8,962	8,585
Television	(1,609)	(2,381)
Corporate	(2,530)	(2,077)
Consolidated	$ 4,823	4,127
Capital expenditures:		
Radio	$ 192	263
Television	165	1,423
Corporate	7	51
Consolidated	$ 364	1,737

	March 31, 2012	December 31, 2011
	(In thousands)	
Total Assets:		
Radio	$390,317	436,806
Television	59,336	60,136
Corporate	19,247	4,570
Consolidated	$468,900	501,512

5. Income Taxes

We have determined that due to a variety of reasons, we are currently unable to estimate our annual effective tax rate during our interim periods, which would be applied to our pre-tax ordinary income. We are calculating our effective income tax rate using a year-to-date income tax calculation. Our income tax expense differs from the statutory federal tax rate of 35% and related statutory state tax rates, primarily as a result of the reversal of our deferred tax liabilities related to the tax amortization of our FCC broadcasting licenses, which could no longer be assured over our net operating loss carry forward period. Therefore, our effective tax rate is impacted by the establishment of a valuation allowance on substantially all of our deferred tax assets.

We file federal, state and local income tax returns in the United States and Puerto Rico. The tax years that remain subject to assessment of additional liabilities by the United States federal, state, and local tax authorities are 2008 through 2011. The tax years that remain subject to assessment of additional liabilities by the Puerto Rico tax authority are 2007 through 2011.

Based on our evaluation, we have concluded that there are no significant uncertain tax positions requiring recognition in our consolidated financial statements as of March 31, 2012.

6. Litigation

We are subject to certain legal proceedings and claims that have arisen in the ordinary course of business and have not been fully adjudicated. In our opinion, we do not have a potential liability related to any current legal proceedings and claims that would individually or in the aggregate have a material adverse effect on our financial condition or operating results. However, the results of legal proceedings cannot be predicted with certainty. Should we fail to prevail in any of these legal matters or should all of these legal matters be resolved against us in the same reporting period, the operating results of a particular reporting period could be materially adversely affected.

7. Fair Value Measurement Disclosures

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 and are considered Level 1 measurements within the fair value hierarchy. The estimated fair value of our other long-term debt instruments, approximate their carrying amounts as the interest rates approximate our current borrowing rate for similar debt instruments of comparable maturity, or have variable interest rates.

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

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

		March 31, 2012		December 31, 2011	
Description	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
12.5% senior secured notes due 2017	Level 3	$ 266.9	273.3		—
Senior credit facility term loan due 2012	Level 3	—	—	303.1	281.3
10$^3/_4$% Series B cumulative exchangeable redeemable preferred stock	Level 3	92.3	76.1	92.3	67.2
Promissory notes payable, included in other long-term debt	Level 3	6.1	4.2	6.1	3.1
Promissory notes payable, included in other long-term debt	Level 3	8.0	7.6	8.0	6.6

The fair value estimates of these financial instruments were based upon either: (a) market quotes from a major financial institution taking into consideration the most recent market activity, or (b) a discounted cash flow analysis taking into consideration current rates.

Fair Value of Derivative Instruments

The following table represents required quantitative disclosures regarding fair values of our derivative instruments (in thousands).

Description	March 31, 2012 carrying value and balance sheet location of derivative instruments	Fair value measurements at March 31, 2012 — Liabilities: Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative designated as a cash flow hedging instrument:				
Interest rate swap	$ 825	—	825	—

Description	December 31, 2011 carrying value and balance sheet location of derivative instruments	Fair value measurements at December 31, 2011 — Liabilities: Quoted prices in active markets for identical instruments (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Derivative designated as a cash flow hedging instrument:				
Interest rate swap	$ 740	—	740	—

The interest rate swap fair value is derived from the present value of the difference in cash flows based on the forward-looking LIBOR yield curve rates, as compared to our fixed rate applied to the hedged amount through the term of the agreement, less adjustments for credit risk.

Interest rate swaps	Three-Months Ended March 31, 2012	2011
(Loss) gain recognized in other comprehensive loss (effective portion)	$ (85)	66

8. Refinancing of our First Lien Credit Facility due 2012

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 cash on hand, to repay and terminate the First Lien Credit Facility, and to pay the transaction costs related to the offering. As a result of the repayment and termination of the First Lien Credit Facility, we recognized a loss on early extinguishment of debt related to the write-off of unamortized deferred financing costs of approximately $0.4 million during the quarter ended March 31, 2012.

Interest

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

Collateral and Ranking

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

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

The Notes are senior secured obligations of the Company that rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. Subject to certain exceptions, the Notes will be fully and unconditionally guaranteed by each of our existing and future wholly-owned domestic subsidiaries (which excludes (i) our existing and future subsidiaries formed in Puerto Rico (the "Puerto Rican Subsidiaries"), (ii) our future subsidiaries formed under the laws of foreign jurisdictions and (iii) our existing and future subsidiaries, whether domestic or foreign, of the Puerto Rican Subsidiaries or foreign subsidiaries) and our other domestic subsidiaries that guarantee certain of our other debt. The Notes and guarantees will be structurally subordinated to all existing and future liabilities (including trade payables) of our non-guarantor subsidiaries.

Covenants and Other Matters

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

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

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

9. Dividend Payments on our 10 3/4% Series B Cumulative Exchangeable Redeemable Preferred Stock

Under the terms of our Series B preferred stock, the holders of the outstanding shares of the Series B preferred stock are entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, dividends on the Series B preferred stock at a rate of 10 3/4% per year, of the $1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates.

In determining whether to declare and pay any prior or future cash dividends, our Board of Directors considers management's recommendation, our financial condition, as well as whether funds are legally available to make such payments and the dividend would otherwise be permitted under the Delaware General Corporate Law.

On April 4, 2012 and April 5, 2011, the Board of Directors declared a cash dividend for the dividend due April 15, 2012 and 2011 to the holders of our Series B preferred stock of record as of April 1, 2012 and 2011. The cash dividends of $26.875 per share were paid in cash on April 16, 2012 and April 15, 2011.

Our Board of Directors, under management's recommendation, has previously determined that based on the circumstances at the time, among other things, the then current economic environment and our future cash requirements, it was not prudent to declare or pay the dividends scheduled for January 15, 2012, October 15, 2011, July 15, 2011 and January 15, 2011.

If dividends on our Series B preferred stock are in arrears and unpaid for four consecutive quarters, a "voting rights triggering event" will have occurred. Following the occurrence, and during the continuation, of a voting rights triggering event, holders of the Series B preferred stock will be entitled to elect two directors to newly created positions on our board of directors, and we will be subject to more restrictive covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. See Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011for a further discussion of our Series B preferred stock, including the consequences of not paying such dividends.

Item 2. *Management's Discussion and Analysis of Financial Condition and Results of Operations*

General Overview

We own and/or operate 21 radio stations in markets that reach approximately 41% 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 with eight other stations, including nationally on a subscriber basis, which allow us to serve television markets representing over 15% of U.S. Hispanics. We operate two reportable segments: radio and television.

Our radio stations are located in six of the eight most populous Hispanic markets in the United States: Los Angeles, New York, Puerto Rico, Chicago, Miami and San Francisco. Los Angeles and New York have the largest and second largest Hispanic populations and are also the largest and second largest radio markets in the United States measured by advertising revenue, respectively. We format the programming of each of our radio stations to capture a substantial share of the Hispanic audience in their respective markets. The U.S. Hispanic population is diverse, consisting of numerous identifiable ethnic groups from many different countries of origin, and each ethnic group has its own musical and cultural heritage. Since the music, culture, customs and Spanish dialects vary from one radio market to another, we strive to maintain familiarity with the musical tastes and preferences of each of the various Hispanic ethnic groups. To accommodate and monetize such diversity, we customize our programming to match the local preferences of our target demographic audience in each market we serve. For the three-months ended March 31, 2012 and 2011, our radio revenue was generated primarily from the sale of local, national and network advertising, and our radio segment generated 86% – 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 three-months ended March 31, 2012 and 2011, our television revenue was generated primarily from the sale of local advertising and paid programming and generated 13% – 14% of our consolidated net revenues.

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

Business Drivers and Financial Statement Presentation

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

Net Revenue Description and Factors

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

- Local revenue generally consists of advertising airtime sold in a station's local market either directly to the advertiser or through an advertiser's agency. Local revenue includes local spot sales, integrated sales, sponsorship sales and paid-programming (or infomercials). For the three-months ended March 31, 2012 and 2011, local revenue comprised 66% 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 three-months ended March 31, 2012 and 2011, national revenue comprised 13—17% of our gross revenue. Network sales generally consists of advertising airtime sold to our network sales partner and for the three-months ended March 31, 2012 and 2011, comprised 3% – 5% of our gross revenue.

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

Our advertising rates are primarily based on the following factors:

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

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

In addition to advertising revenue, we also generate revenue from barter sales, special events revenue, interactive revenue, syndication revenue, subscriber revenue and other revenue. For the three-months ended March 31, 2012 and 2011, these revenues combined comprised approximately 13% – 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 satellite operators.
- *Other revenue.* We receive other ancillary revenue such as rental income.

Operating Expenses Description and Factors

Our operating expenses consist primarily of (1) engineering and programming expenses, (2) selling, general and administrative and (3) corporate expenses.

- *Engineering and programming expenses.* Engineering and programming expenses are related to the delivery and creation of our programming content on the air. These expenses include compensation and benefits for employees involved in engineering and programming, transmitter-related expenses, originally produced content, on-air promotions, acquired programming, music license fees, broadcasting rights fees and other expenses.
- *Selling, general and administrative expenses.* Selling, general and administrative expenses are related to the costs of selling our programming content and administrative costs associated with operating and managing our stations. These expenses include compensation and benefits for employees involved in selling and administrative functions, commissions, rating services, advertising, barter expenses, facilities expenses, special events expenses, professional fees, insurance, allowance for doubtful accounts and other expenses.
- *Corporate expenses.* Corporate expenses are related to the operations of our corporate offices and matters. These expenses include compensation and benefits for our corporate employees, professional fees, insurance, corporate facilities expenses and other expenses.

We strive to control our operating expenses by centralizing certain functions at our corporate offices and consolidating certain functions in each of our market clusters. Also, in our pursuit to control our operating expenses, we work closely with our local station management and vendors.

Comparison Analysis of the Operating Results for the Three-Months Ended March 31, 2012 and 2011

The following summary table presents financial data for each of our operating segments:

	Three-Months Ended March 31, 2012	Three-Months Ended March 31, 2011
	(In thousands)	
Net revenue:		
Radio	$27,778	26,441
Television	4,316	4,334
Consolidated	$32,094	30,775
Engineering and programming expenses:		
Radio	$ 5,307	6,409
Television	3,097	3,797
Consolidated	$ 8,404	10,206
Selling, general and administrative expenses:		
Radio	$12,958	10,836
Television	2,048	2,343
Consolidated	$15,006	13,179
Corporate expenses:	$ 2,352	1,931
Depreciation and amortization:		
Radio	$ 551	618
Television	780	575
Corporate	122	146
Consolidated	$ 1,453	1,339
(Gain) loss on the disposal of assets, net:		
Radio	$ —	(7)
Television	—	—
Corporate	—	—
Consolidated	$ —	(7)
Impairment charges and restructuring costs:		
Radio	$ —	—
Television	—	—
Corporate	56	—
Consolidated	$ 56	—
Operating income (loss):		
Radio	$ 8,962	8,585
Television	(1,609)	(2,381)
Corporate	(2,530)	(2,077)
Consolidated	$ 4,823	4,127

The following summary table presents a comparison of our results of operations for the three-months ended March 31, 2012 and 2011. Various fluctuations in the table are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Three-Months Ended March 31,	
	2012	2011
	(In thousands)	
Net revenue	$32,094	30,775
Engineering and programming expenses	8,404	10,206
Selling, general and administrative expenses	15,006	13,179
Corporate expenses	2,352	1,931
Depreciation and amortization	1,453	1,339
(Gain) loss on disposal of assets, net of disposal costs	—	(7)
Impairment charges and restructuring costs	56	—
Operating income	$ 4,823	4,127
Interest expense, net	(6,838)	(2,036)
Loss on early extinguishment of debt	(391)	—
Income tax expense	1,257	1,781
Net (loss) income	$ (3,663)	310

Net Revenue

The increase in our consolidated net revenue of $1.3 million, or 4%, was due to the increase in our radio segment. Our radio segment net revenue increased $1.3 million or 5%, primarily due to local sales, special events revenue and barter sales, offset by decreases in national and network sales. The increase in local sales occurred in our New York, Los Angeles and San Francisco markets. The increase in special events revenue occurred mainly in our Puerto Rico and Miami markets. The increase in barter sales occurred throughout most of our markets. The decrease in national and network sales occurred in all of our markets. Our television segment net revenues were flat, primarily as a result of increases in paid-programming, other revenues and barter sales, offset by decreases in local spot sales and integrated sales.

Engineering and Programming Expenses

The decrease in our consolidated engineering and programming expenses of $1.8 million or 18% was due to the decreases in both our radio and television segments. Our radio segment expenses decreased $1.1 million or 17%, primarily due to decreases in legal settlements and music license fees. Our television segment expenses decreased $0.7 million or 18%, mainly due to decreases in originally produced programming and a reduction in broadcasting rights fees. We were able to terminate our programming agreement for our New York outlet in the third quarter of 2011, which eliminated the related broadcasting rights fee.

Selling, General and Administrative Expenses

The increase in our consolidated selling, general and administrative expenses of $1.8 million or 14% was due to the increase in our radio segment expenses. Our radio segment expenses increased $2.1 million or 20%, mainly due to an increase in special events expenses, barter expense, local commissions and compensation and benefits. Our television segment expenses decreased $0.3 million or 13%, primarily due to decreases in professional fees and advertising and promotions.

Corporate Expenses

The increase in corporate expenses of $0.4 million or 22% was primarily a result of an increase in compensation and benefits related to bonuses for the successful 2012 refinancing of our senior credit facility, offset by a decrease in professional fees.

Operating Income

The increase in operating income of $0.7 million or 17% was mainly due to the increase in net revenue.

Interest Expense, Net

The increase in interest expense of $4.8 million or 236% was due to the increase in our interest rate and amortization of deferred financing costs related to our new 12.5% senior secured notes due 2017. On February 7, 2012, we issued $275 million in aggregate principal amount of 12.5% senior secured notes due 2017 at an issue price of 97% of the principal amount. We used the net proceeds from this offering, together with cash on hand, to repay and terminate the senior credit facility, and to pay the transaction costs related to this offering. Our new senior secured notes have an effective interest rate of approximately 13.3%, including the original issue discount. We also incurred approximately $17.4 million in transaction costs, which will be amortized over the life of our new senior secured notes and recorded as interest expense.

Loss on Early Extinguishment of Debt

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

Income Taxes

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

Net (Loss) Income

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

Liquidity and Capital Resources

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

Our strategy is to primarily utilize cash flows from operations to meet our capital needs and contractual obligations. Management continually projects anticipated cash requirements and believes that cash from operating activities, together with cash on hand, should be sufficient to permit us to meet our operating obligations over the next twelve month period, including, among other things, required semi-annual interest payments pursuant to the Notes due April 2017 and capital expenditures, excluding the acquisitions of major FCC broadcasting licenses. Disruptions in the capital and credit markets may result in increased borrowing costs associated with our short-term and long-term debt.

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

- the demand for advertising within the broadcasting industry and economic conditions in general will not deteriorate further in any material respect;
- we will continue to successfully implement our business strategy; and
- we will not incur any material unforeseen liabilities, including but not limited to taxes, environmental liabilities, regulatory matters or legal judgments.

We evaluate strategic media acquisitions and/or dispositions and strive to expand our media content through distribution and affiliations in order to achieve a significant presence with clusters of stations in the top U.S. Hispanic markets. We engage in discussions regarding potential acquisitions and/or dispositions and expansion of our content through media outlets from time to time in the ordinary course of business. We anticipate that any future acquisitions would be financed through funds generated from permitted debt financing, equity financing, operations, asset sales or a combination of these or other available sources. However, there can be no assurance that financing from any of these sources, if necessary and available, can be obtained on favorable terms.

Refinancing of Company's debt

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

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

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

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

The Notes are senior secured obligations of the Company that rank equally with all of our existing and future senior indebtedness and senior to all of our existing and future subordinated indebtedness. Subject to certain exceptions, the Notes will be fully and unconditionally guaranteed by each of our existing and future wholly-owned domestic subsidiaries (which excludes (i) our existing and future subsidiaries formed in Puerto Rico (the "Puerto Rican Subsidiaries"), (ii) our future subsidiaries formed under the laws of foreign jurisdictions and (iii) our existing and future subsidiaries, whether domestic or foreign, of the Puerto Rican Subsidiaries or foreign subsidiaries) and our other domestic subsidiaries that guarantee certain of our other debt. The Notes and guarantees are structurally subordinated to all existing and future liabilities (including trade payables) of our non-guarantor subsidiaries.

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

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

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

Potential impact on the liquidity of our Series B preferred stock

Our liquidity could be significantly affected on October 15, 2013 if the holders of shares of Series B preferred stock request that we repurchase (subject to the legal availability of funds) all or a portion of their Series B preferred stock. We can only make such purchases out of legally available funds. If we repurchase such Series B preferred stock with cash, we would reduce cash available to make other payments. Alternatively, if we fail to discharge our repurchase obligation with respect to the Series B preferred stock upon a valid request, then a voting rights triggering event will occur.

Following the occurrence, and during the continuation, of a “voting rights triggering event,” holders of the Series B preferred stock will be entitled to elect two directors to newly created positions on our board of directors, and we will be subject to more restrictive covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. See Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2011for a further discussion of our Series B preferred stock, including the consequences of not paying such dividends.

Summary of Capital Resources

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

	Three-Months Ended March 31, 2012	Three-Months Ended March 31, 2011	Change $
		(In thousands)	
Capital expenditures:			
Radio	$ 192	263	(71)
Television	165	1,423	(1,258)
Corporate	7	51	(44)
Consolidated	$ 364	1,737	(1,373)
Net cash flows provided by operating activities	$ 9,890	9,727	163
Net cash flows used in investing activities	(364)	(1,724)	1,360
Net cash flows used in financing activities	(53,389)	(937)	(52,452)
Net increase (decrease) in cash and cash equivalents	$(43,863)	7,066	

Capital Expenditures

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

Net Cash Flows Provided by Operating Activities

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

Net Cash Flows Used in Investing Activities

Changes in our net cash flows from investing activities were a result of the decrease in our capital expenditures. The decrease in our capital expenditures is primarily related to the absence in 2012 of the 2011 build out of our Puerto Rico television studios.

Net Cash Flows Used in Financing Activities

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

Recent Developments

Regain Compliance with NASDAQ Listing Standards

On September 15, 2011, we received a written deficiency notice (the "Notice") from The NASDAQ Stock Market ("NASDAQ") advising us that the market value of our Class A common stock for the previous 30 consecutive business days had been below the minimum $15,000,000 ("Market Value of Publicly Held Shares Requirement") required for continued listing on the NASDAQ Global Market pursuant to NASDAQ Listing Rule 5450(b)(2)(C) (the "Rule").

Pursuant to NASDAQ Listing Rule 5810(c)(3)(D), we were provided with an initial grace period of 180 calendar days, or until March 13, 2012, to regain compliance with the Rule. The Notice further provided that NASDAQ would provide us with written confirmation stating that we had achieved compliance with the Rule if, at any time before March 13, 2012, the market value of our publicly held shares closed at $15,000,000 or more for a minimum of 10 consecutive business days.

On February 13, 2012, we received notification from NASDAQ that we had regained compliance with the Market Value of Publicly Held Shares Requirement for a minimum of 10 consecutive business days as set forth in the Rule. Accordingly, we have regained compliance with the Rule and continue to be listed on the NASDAQ Global Market.

Debt Refinancing

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 and are governed by an indenture, dated as of the same date, by and between the Company and Wilmington Trust, National Association, as trustee. We used the net proceeds from the offering, together with cash on hand, to repay and terminate the previously existing $350,000,000 first lien credit agreement, dated as of June 10, 2005, among the Company, the lenders from time to time party thereto, Merrill Lynch, Pierce Fenner & Smith, Inc., as syndication agent, Wachovia Bank, National Association, as documentation agent, and Lehman Commercial Paper Inc., as administrative agent, that was due June 10, 2012, and to pay the transaction costs related to the offering.

Dividend Payment on the Series B Preferred Stock

Under the terms of our Series B preferred stock, the holders of the outstanding shares of the Series B preferred stock are entitled to receive, when, as and if declared by the Board of Directors out of funds of the Company legally available therefor, dividends on the Series B preferred stock at a rate of 10 3/4% per year, of the $1,000 liquidation preference per share. All dividends are cumulative, whether or not earned or declared, and are payable quarterly in arrears on specified dividend payment dates.

In determining whether to declare and pay any prior or future cash dividends, our Board of Directors considers management's recommendation, our financial condition, as well as whether funds are legally available to make such payments and the dividend would otherwise be permitted under the Delaware General Corporate Law.

On April 4, 2012 and April 5, 2011, the Board of Directors declared a cash dividend for the dividend due April 15, 2012 and 2011 to the holders of our Series B preferred stock of record as of April 1, 2012 and 2011. The cash dividends of $26.875 per share were paid in cash on April 16, 2012 and April 15, 2011.

Our Board of Directors, under management's recommendation, has previously determined that based on the circumstances at the time, among other things, the then current economic environment and our future cash requirements, it was not prudent to declare or pay the dividends scheduled for January 15, 2012, October 15, 2011, July 15, 2011 and January 15, 2011.

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

Off-Balance Sheet Arrangements

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

Item 4. *Controls and Procedures*

Evaluation Of Disclosure Controls And Procedures. Our management, including our principal executive and financial officers, have conducted an evaluation of the effectiveness of the design and operation of our "disclosure controls and procedures," as such term is defined under Rules 13a-15(e) and 15d-15(e) of the Exchange Act, to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate, to allow timely decisions regarding required disclosure. Based on that evaluation, our principal executive and financial officers concluded that our disclosure controls and procedures were effective as of the end of the period covered by this report.

Changes In Internal Control Over Financial Reporting. There has been no change in our internal control over financial reporting during the quarter ended March 31, 2012 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. *Legal Proceedings*

The information set forth under Note 6 contained in the "Notes to Unaudited Condensed Consolidated Financial Statements" of this Quarterly Report on Form 10-Q is incorporated by reference in answer to this Item.

Item 6. *Exhibits*

(a) Exhibits

The following exhibits, which are numbered in accordance with Item 601 of Regulation S-K, are filed herewith or, as noted, incorporated by reference herein:

Exhibit Number	Exhibit Description
4.1	Senior Secured Notes Indenture, dated as of February 7, 2012, between Spanish Broadcasting System, Inc. and Wilmington Trust, National Association, as Trustee and Collateral Agent (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K filed on February 13, 2012).
31.1*	Chief Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Chief Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Chief Executive Officer's Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Chief Financial Officer's Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

SIGNATURES

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

SPANISH BROADCASTING SYSTEM, INC.

By: /s/ JOSEPH A. GARCÍA
JOSEPH A. GARCÍA
Chief Financial Officer,
Chief Administrative Officer, Senior
Executive Vice President and Secretary
(principal financial and accounting officer
and duly authorized officer of the registrant)

Date: May 15, 2012

EXHIBIT INDEX

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* Filed herewith

** Furnished herewith

Exhibit 31.1

CERTIFICATION

I, Raúl Alarcón, Jr., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spanish Broadcasting System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ RAÚL ALARCÓN, JR.

Name: Raúl Alarcón, Jr.
Title: Chairman of the Board of Directors,
Chief Executive Officer and President

Date: May 15, 2012

Exhibit 31.2

CERTIFICATION

I, Joseph A. García, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Spanish Broadcasting System, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting;

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOSEPH A. GARCÍA

Name: Joseph A. García
Title: Chief Financial Officer,
Chief Administrative Officer,
Senior Executive Vice President and Secretary

Date: May 15, 2012

Exhibit 32.1

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

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

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RAÚL ALARCÓN, JR.
Name: Raúl Alarcón, Jr.
Title: Chairman of the Board of Directors,
President and Chief Executive Officer

Date: May 15, 2012

Exhibit 32.2

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

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

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)); and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ JOSEPH A. GARCÍA
Name: Joseph A. García
Title: Chief Financial Officer, Chief Administrative Officer, Senior Executive Vice President and Secretary

Date: May 15, 2012