

---

---

**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 June 30, 2017

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-27823



**Spanish Broadcasting System, Inc.**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction 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**

(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, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 August 7, 2017, 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

	<u>Page</u>
<b>PART I. FINANCIAL INFORMATION</b>	
<a href="#">ITEM 1.</a> <a href="#">Financial Statements - Unaudited</a> .....	5
<a href="#">Condensed Consolidated Financial Statements—Unaudited</a> .....	5
<a href="#">Notes to the Unaudited Condensed Consolidated Financial Statements</a> .....	9
<a href="#">ITEM 2.</a> <a href="#">Management’s Discussion and Analysis of Financial Condition and Results of Operations</a> .....	22
<a href="#">ITEM 3.</a> <a href="#">Quantitative and Qualitative Disclosures about Market Risk</a> .....	33
<a href="#">ITEM 4.</a> <a href="#">Controls and Procedures</a> .....	33
<b>PART II. OTHER INFORMATION</b>	
<a href="#">ITEM 1.</a> <a href="#">Legal Proceedings</a> .....	34
<a href="#">ITEM 6.</a> <a href="#">Exhibits</a> .....	35
<a href="#">SIGNATURES</a> .....	36

## 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”).

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

“Forward-looking” statements, as such term is defined by the Securities Exchange Commission (the “SEC”) in its rules, regulations and releases, represent our expectations or beliefs, including, but not limited to, statements concerning our operations, economic performance, financial condition, our recapitalization plan, growth and acquisition strategies, investments and future operational plans. Without limiting the generality of the foregoing, words such as “may,” “will,” “expect,” “believe,” “anticipate,” “intend,” “forecast,” “seek,” “plan,” “predict,” “project,” “could,” “estimate,” “might,” “continue,” “seeking” or the negative or other variations thereof or comparable terminology are intended to identify forward-looking statements. These statements, by their nature, involve substantial risks and uncertainties, certain of which are beyond our control, and actual results may differ materially depending on a variety of important factors, including, but not limited to, those identified in our Annual Report on Form 10-K for the year ended December 31, 2016, and those described from time to time in our future reports filed with the SEC. All forward-looking statements made herein are qualified by these cautionary statements and risk factors and there can be no assurance that the actual results, events or developments referenced herein will occur or be realized. These risks and uncertainties include the following factors:

- *The failure to repay our Notes;*
- *Risks relating to the existence of the Voting Rights Triggering Event;*
- *The maturity of our Notes and our obligations under our Series B preferred stock adversely affects our financial condition and raises substantial doubt about our ability to continue as a going concern;*
- *Our ability to repurchase all of the Notes and our Series B preferred stock upon a change in control;*
- *Our ability to generate sufficient cash from operations or the sale of assets to repay our Notes and our liabilities under our Series B preferred stock, which may force us to take other actions to satisfy our obligations under our Notes and Series B preferred stock;*
- *Our high leverage and substantial level of indebtedness;*
- *Restrictions on our current and future operations pursuant to the terms of the Indenture governing the Notes and the terms of the Series B preferred stock;*
- *We have experienced net losses in the past and, to the extent that we experience net losses in the future, our ability to raise capital may be adversely affected;*
- *Our industry is highly competitive, and we compete for advertising revenue with other broadcast stations, as well as other media, many operators of which have greater resources than we do;*
- *The large portion of our net revenue and operating income that currently comes from our New York, Los Angeles and Miami markets;*
- *Possible cancellations, reductions, delays and seasonality in advertising could adversely affect our net revenues;*
- *Our inability to pursue and successfully execute our expansion strategy which may impact our growth;*
- *Our cost-cutting measures may impact our ability to pursue our expansion strategy;*
- *The success of our radio stations depends on the popularity and appeal of our content, which is difficult to predict;*
- *The success of our television operation depends upon our ability to attract viewership (Our purpose is to predict; ) TJ ET Q q 11*

- *Our ability to retain key employees, on-air talent and program hosts;*
- *Impairment of our goodwill and other intangible assets deemed to have indefinite useful lives can cause our net income or net loss to fluctuate significantly;*
- *Piracy of our programming and other content, including digital and internet piracy, may decrease revenue received from the exploitation of our programming and other content and adversely affect our business and profitability;*
- *Damage to our brands or reputation;*
- *Our business may be adversely affected by legal or governmental proceedings brought by or on behalf of our employees;*
- *Raúl Alarcón, the Chairman of our Board of Directors, Chief Executive Officer and President, has majority voting control of our common stock and 100% voting control of our Series C preferred stock and this control may discourage or influence certain types of transactions or strategic initiatives; and*
- *Changes in government regulation.*

We do not have any obligation to publicly update any forward-looking statements to reflect subsequent events or circumstances.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements—Unaudited**

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

Unaudited Condensed Consolidated Balance Sheets

(In thousands, except share data)

Assets	June 30, 2017	December 31, 2016
<b>Current assets:</b>		
Cash and cash equivalents	\$ 16,234	\$ 23,835
<b>Receivables:</b>		
Trade	28,034	32,952
Barter	162	270
	28,196	33,222
Less allowance for doubtful accounts	1,064	745
Net receivables	27,132	32,477
Prepaid expenses and other current assets	8,754	6,597
Total current assets	52,120	62,909
Property and equipment, net of accumulated depreciation of \$63,654 in 2017 and \$61,735 in 2016	24,621	26,406
FCC broadcasting licenses	322,197	323,961
Goodwill	32,806	32,806
Other intangible assets, net of accumulated amortization of \$1,164 in 2017 and \$1,116 in 2016	1,384	1,432
Assets held for sale	2,173	1,377
Deferred tax assets	1,789	1,615
Other assets	442	384
Total assets	\$ 437,532	\$ 450,890
<b>Liabilities and Stockholders' Deficit</b>		
<b>Current liabilities:</b>		
Accounts payable and accrued expenses	\$ 17,013	\$ 12,733
Accrued interest	1,872	7,290
Unearned revenue	975	1,325
Other liabilities	—	4
12.5% senior secured notes, net of unamortized discount of \$0 in 2017 and \$629 in 2016 and net of deferred financing costs of \$0 in 2017 and \$1,138 in 2016 (note 8).	264,664	273,233
Current portion of other long-term debt	11	4,616
10 3/4% Series B cumulative exchangeable redeemable preferred stock outstanding and dividends outstanding, \$0.01 par value, liquidation value \$1,000 per share. Authorized 280,000 shares: 90,549 shares issued and outstanding at June 30, 2017 and December 31, 2016 and \$70,165 and \$65,299 of dividends payable as of June 30, 2017 and December 31, 2016, respectively.	160,714	155,848
Total current liabilities	445,249	

Unearned revenue

\$

445,249

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

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

Unaudited Condensed Consolidated Statement of Changes in Stockholders' Deficit  
for the Six-Months Ended June 30, 2017  
(In thousands, except share data)

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



## SPANISH BROADCASTING SYSTEM, INC. AND SUBSIDIARIES

### NOTES TO THE 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 June 30, 2017 and December 31, 2016 and for the three- and six-month periods ended June 30, 2017 and 2016 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, 2016, included in our Annual Report on Form 10-K for the fiscal year ended December 31, 2016. 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 June 30, 2017 through the financial statements issuance date. The results of operations for the six-months ended June 30, 2017 are not necessarily indicative of the results for the entire year ending December 31, 2017, or for any other future interim or annual periods.

Our consolidated financial statements have been prepared assuming we will continue as a going-concern, and do not include any adjustments that might result if we were unable to do so, and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As of June 30, 2017 and December 31, 2016, we had a working capital deficit due primarily to the classification of our 10 $\frac{3}{4}$ % Series B Cumulative Exchangeable Redeemable Preferred Stock (the “Series B preferred stock”) as a current liability and the classification of our 12.5% Senior Secured Notes (the “Notes”) as a current liability. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of, or remedies available to, creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to redeem or repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our Notes, and are able to generate legally available funds under Delaware law, we may be required to pay all or a portion of the accumulated preferred dividends and redeem all or a portion of the Series B preferred stock, to extent of the funds legally available.

As discussed in Note 8, the Notes matured on April 15, 2017. Cash from operations or the sale of assets was not sufficient to repay the Notes when they became due. We are working with a team of financial and legal advisors in evaluating all options available to us in executing a comprehensive recapitalization plan. These options, include, but are not limited to, selling certain non-core assets (whose net proceeds would be used to repay a portion of outstanding Notes), new financings (including debt, equity-linked securities and equity offerings), an exchange offer with the holders of our Notes (the “Noteholders”), with or without exit consents to amend the terms of the indenture under which the Notes were issued (the “Indenture”), use of cash on hand and a combination of these options. We have been pursuing the sale of certain non-core assets, including certain of our television stations and real estate assets. As further described in Note 11, on June 9, 2017 we sold our Los Angeles real estate assets and used the net proceeds to pay down a portion of the Notes. We expect to continue to use the net proceeds of other significant asset sales to repay a portion of the Notes and thereby deleverage our balance sheet. In connection with our recapitalization plan, we continue conversations with representatives of the Noteholders and the holders of the Series B preferred stock regarding these matters. However, we cannot assure you that we will be successful in our recapitalization efforts. We did not repay the Notes at their maturity, as a result of which there was an event of default under the Indenture on April 17, 2017 (April 17, 2017 being the payment date following the Saturday, April 15, 2017 maturity date). On April 17, 2017, we made the interest payment due on the Notes. The Notes will continue to earn interest at the current rate of 12.5% per year after the maturity date but we are not required to pay any default interest under the Indenture. As further described in Note 8, the Company on May 8, 2017 entered into a forbearance agreement (the “Forbearance Agreement”) with an ad hoc group of more than 75% of the Notes (the “Supporting Holders”). Pursuant to the Forbearance Agreement, the Supporting Holders agreed to forbear from exercising any of their rights and remedies under the Indenture under which the Notes were issued, with respect to certain defaults from the effective date of the Forbearance Agreement until the earliest to occur of (a) the occurrence of any Event of Termination (as defined in the Forbearance Agreement) and (b) May 31, 2017 at 12:01 a.m. New York City time. The Forbearance Agreement expired and has not been extended, however the Company has continued to make monthly interest payments on the Notes on the 15<sup>th</sup> of each month and has also continued to pay the monthly legal fees and financial advisor due diligence fees of the Supporting Holders. Nonetheless, one or more Noteholders may seek to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture.

The Company has incurred \$3.3 and \$4.1 million, respectively for the three and six-months ended June 30, 2017, of recapitalization costs, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan. Also included in these amounts are the consent fees paid to the Supporting Holders

of the Notes who entered into the Forbearance Agreement with the Company, as well as the legal and financial advisory fees incurred by the Supporting Holders.

In the event we are unsuccessful in these efforts and one or more Noteholders seek to exercise remedies against us or our assets, we may be required to seek protection under Chapter 11 of the U.S. Bankruptcy Code, among other things, in order to maximize the value of our company for all of our constituents. While we believe that a Chapter 11 filing may create an avenue to successfully execute on our strategy, such a filing may also have several negative consequences to our business, including the costs and negative publicity that surrounds such a filing, reduced advertising revenue due to the uncertainty surrounding the filing, the potential need to sell assets (including the equity of our subsidiaries that own our FCC licenses) under distressed circumstances and the risk that we are unable to execute on a successful plan of reorganization.

Management is responsible for evaluating whether there is substantial doubt about the organization's ability to continue as a going concern and to provide related footnote disclosures, in accordance with the going concern accounting standard adopted in 2016. Our inability to obtain financing in adequate amounts and on acceptable terms necessary to operate our business, repay our Notes,

disclose key information about the leasing agreements. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The new guidance is effective for financial statements issued for fiscal years beginning after December 15, 2018, and interim periods within those fiscal years. Early adoption is permitted as of the beginning of an interim or annual reporting period and must be adopted using a modified retrospective approach for leases that exist or are entered into after the beginning of the earliest comparative period in the financial statements. We are currently evaluating the impact that this new standard will have on our financial position and related disclosures and expect the impact on our assets and liabilities will be material due to the addition of right-of-use assets and lease liabilities; however the impact cannot currently be quantified.

In January 2016, the FASB issued ASU No. 2016-01, *Accounting for Financial Instruments – Recognition and Measurement*. The new guidance changes how entities measure equity investments and present changes in the fair value of financial liabilities. The new guidance requires entities to measure equity investments that do not result in consolidation and are not accounted under the equity method at fair value and recognize any changes in fair value in net income unless the investments qualify for the new practicality exception. A practicality exception will apply to those equity investments that do not have a readily determinable fair value and do not qualify for the practical expedient to estimate fair value and as such these investments may be measured at cost. The new guidance is effective for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. We are currently evaluating the impact, if any; however, we do not expect this update to have a material impact on our financial position and results of operations.

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. In July 2015, the FASB postponed the effective date of this standard. The standard is now effective for the first interim period within annual reporting periods beginning after December 15, 2017. In May 2016, the FASB issued accounting standards updates to address implementation issues and to clarify the guidance for identifying performance obligations, licenses, and determining if a company is the principal or agent in a revenue arrangement. In December 2016, the FASB issued ASU 2016-20, *Technical Corrections and Improvements to Topic 606*, which is intended to make minor corrections and to improve and clarify the implementation guidance of Topic 606. The Company currently expects to adopt the new revenue standard in its first quarter of 2018 and continues to evaluate the method of adoption and the impact of the provisions on our financial position and results of operations, if any. The company has since implemented an evaluation tool to



The following table summarizes information about our stock options outstanding and exercisable at June 30, 2017 (in thousands, except per share data and contractual life):

Range of Exercise Prices	Outstanding			Exercisable		
	Vested Options	Unvested Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (Years)	Number Exercisable	Weighted Average Exercise Price
\$1.03 - 2.99	45	50	\$ 2.68	8.9	45	\$ 2.33
\$3.00 - 4.99	273					

**4. Operating Segments**

	June 30, 2017	December 31, 2016
<b>Total Assets:</b>		
Radio	\$ 378,929	\$ 391,817
Television	56,109	56,554
Corporate	2,494	2,519

second quarter of 2016. However, if the settlement offer is not accepted by the jurisdiction, the amount of the ultimate loss to the Company, if any, may equal the entire amount of the Assessment sought by the taxing jurisdiction.

***Gutierrez-Ortiz Lawsuit***

We are a defendant in Aida Ivette Gutiérrez Ortiz et al. v. Municipio Autónomo de Bayamón, et al., a lawsuit involving the death of a man who was shot and killed at a concert co-promoted by us. Plaintiffs allege that we were negligent because we did not provide the necessary security to prevent the entry of firearms in the concert venue or its surrounding areas. Plaintiffs also allege we did not provide the necessary measures to control the venue and allege that we were negligent because we failed to provide the necessary medical assistance to aid the victim. Plaintiffs are seeking an estimated \$3.5 million as indemnity. We intend to defend our



maturity date), as a result the Company is in default of the covenant to repay the Notes at their maturity (which constitutes an event of default under the Indenture). See Note 1 elsewhere in these notes to the financial statements for additional detail regarding our recapitalization efforts and our failure to repay the Notes at maturity.

In addition, one of our limited liability companies had not become a guarantor when formed in 2013, as required by a covenant under the Indenture and therefore we were in default under the Indenture from the formation of the limited liability company until we subsequently submitted documentation to the Trustee to have the limited liability company become an additional guarantor in April 2017. We were also required to amend the limited liability operating agreement to permit the trustee to more adequately perfect its security interest in the equity of the company. This default has subsequently been cured.

senior to all of the Company's and the guarantors' existing and future unsecured indebtedness to the extent of the value of the collateral.

The Indenture permits us, under specified circumstances, to incur additional debt; however, the occurrence and continuance of the Voting Rights Triggering Event (as defined in note 9 of the Notes to the Unaudited Condensed Consolidated Financial Statements) currently prevents us from incurring any such additional debt.

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

### ***Covenants and Other Matters***

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

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

As a result of our failure to pay the Notes at maturity, an event of default under the Indenture has occurred and is continuing.

## **9. 10 3/4% Series B Cumulative Exchangeable Redeemable Preferred Stock**

### ***Voting Rights Triggering Event***

On October 30, 2003, we partially financed the purchase of a radio station with proceeds from the sale, through a private placement, of 75,000 shares of our 10 3/4% Series A cumulative exchangeable redeemable preferred stock, par value \$0.01 per share, with a liquidation preference of \$1,000 per share (the "Series A preferred stock"), without a specified maturity date. The gross

required to make an offer to purchase these shares at a price of 101% of the aggregate liquidation preference of these shares plus accumulated and unpaid dividends to, but excluding the purchase date.

We had the option to redeem all or some of the registered Series B preferred stock for cash on or after October 15, 2009 at 103.583%, October 15, 2010 at 101.792% and October 15, 2011 and thereafter at 100%, plus accumulated and unpaid dividends to the redemption date. On October 15, 2013, each holder of Series B preferred stock had the right to request that we repurchase (subject to the legal availability of funds under Delaware General Corporate Law) all or a portion of such holder's shares of Series B preferred stock at a purchase price equal to 100% of the liquidation preference of such shares, plus all accumulated and unpaid dividends (as described in more detail below) on those shares to the date of repurchase. Under the terms of our Series B preferred stock, we are required to pay dividends at a rate of 10 3/4% per year of the \$1,000 liquidation preference per share of Series B preferred stock. From October 30, 2003 to October 15, 2008, we had the option to pay these dividends in either cash or additional shares of Series B

“mandatorily redeemable” instrument under Accounting Standards Codification 480 “*Distinguishing Liabilities from Equity*” (“ASC 480”). Although under Delaware law the Series B preferred stock is deemed equity, under ASC 480, if an instrument changes from being “conditionally redeemable” to “mandatorily redeemable,” then the financial instrument should be reclassified as a liability.

In addition, the Series B preferred stock will be measured at each reporting date as the amount of cash that would be paid pursuant to the contract, had settlement occurred on the reporting date, recognizing the resulting change in that amount from the previous reporting date as interest expense. Therefore, the accruing quarterly dividends of the Series B preferred stock is being recorded as interest expense (i.e. “Dividends on Series B preferred stock classified as interest expense”).

## **10. Asset Exchange**

On January 4, 2016, the Company completed an asset exchange with International Broadcasting Corp. under which the Company agreed to exchange certain assets used or useful in the operations of WIOA-FM, WIOC-FM, and WZET-FM in Puerto Rico for certain assets used or useful in the operations of WTCV (DT), WVEO (DT), and WVOZ (TV) in Puerto Rico previously owned and operated by International Broadcasting Corp.

The asset exchange is being accounted for as a non-monetary exchange in accordance with ASC-845 *Nonmonetary Transactions*, as the Company did not acquire any significant processes to meet the definition of a business in accordance with ASC 805 *Business Combinations*. As the transaction involved significant monetary consideration, the Company recorded the exchange at fair value. The fair value of the assets received in the asset exchange was \$2.9 million, as determined by an independent third party valuation. In addition, the Company paid \$1.9 million in cash which we attribute to the value of the acquired television spectrum. Subsequently, we filed an application and participated in the FCC’s Broadcast Incentive Auction with our Puerto Rico television stations. As a result of the fair value assessment of the assets exchanged, the difference in exchanged fair values of \$1.8 million was deemed attributable to the acquired television spectrum and was recorded on the balance sheet under FCC licenses. The cash proceeds of \$4.7 million for the sale of the spectrum were received from the FCC on July 21, 2017. The Company has 90 days to relinquish the spectrum to the FCC, during which time the Company will continue to control and operate the asset. The gain on the sale of the spectrum will be recognized once the asset is relinquished to the FCC. In accordance with the financial gain to be recognized in a subsequent period during 2017, the tax gain will be recognized in the same period during the year and will be partially offset with a valuation allowance release.

## **11. Asset Held for Sale**

During 2016, the Company entered into listing agreements with brokers to sell two buildings and related improvements in New York City and Los Angeles which are part of our radio segment. The two properties have been reclassified from land, building and building improvements, as well as furniture and fixtures to assets held for sale as these assets were approved for immediate sale in their present condition, are expected to be sold within one year and management is actively working to locate buyers for these buildings and related improvements. As of December 31, 2016, the land, buildings and related improvements had a net book value of \$1.4 million.

On June 9, 2017, we closed on the sale of our Los Angeles facilities which had carrying values of \$0.9 million of land and \$0.1 million of property and equipment. These facilities are where we currently maintain our Los Angeles radio operations. We will continue to maintain our radio operations at the property pursuant to a separate office lease agreement which extends for a period of up to 12 months after the closing date and the Company has the option to unconditionally exit the lease by providing 30 days’ notice to the lessor. In accordance with ASC-840 *Leases*, the Company has reviewed the sale and lease agreement and concluded that the two agreements qualify for accounting as a normal leaseback. As such, the Company will be able to recognize the gain on the sale of the Los Angeles facility in the current reporting period and treat the office lease agreement as a separate operating lease entered into in the ordinary course of business. The purchase price under the agreement was \$14.7 million from which the Company recognized a gain of \$12.8 million, net of closing costs. Additionally, the sale of the Los Angeles facilities resulted in net proceeds of \$10.3 million to the Company, as defined by the Indenture governing our outstanding Notes, which is calculated differently than the recognized gain of \$12.8 million for financial reporting purposes. In order to arrive at net proceeds, as defined by the Indenture, the Company is permitted to hold back certain amounts related to taxes, relocation expenses and capital expenditures that are expected to become payable in the future. The net proceeds were used to repay a portion of the outstanding indebtedness on our Notes.

The \$1.8 million Puerto Rico television spectrum for which the Company has received the cash proceeds of \$4.7 million, described in note 10, is expected to be relinquished in its present condition during the fourth quarter 2017.

A summary of assets held for sale as of June 30, 2017 and December 31, 2016 is as follows (in thousands):

<b>Description</b>	<b>June 30, 2017</b>	<b>December 31, 2016</b>
Land	\$ —	\$ 850
Property and equipment, net	409	527



agent in these transactions. For the six-months ended June 30, 2017 and 2016, national revenue comprised 12% and 13% of our gross revenues, respectively. Network sales consist of advertising airtime sold on our AIRE Radio Network platform by our network sales staff. For the six-months ended June 30, 2017 and 2016, network revenue comprised 6% and 7% of our gross revenues, respectively.

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:

rating services, advertising, barter expenses, facilities expenses, special events expenses, professional fees, insurance, allowance for doubtful accounts, affiliate station compensation 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. 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 June 30, 2017 and 2016

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

	Three-Months Ended	
	2017	June 30, 2016
<b>Net revenue:</b>		
Radio	\$ 31,279	31,429
Television	2,902	3,831
Consolidated	\$ 34,181	35,260
<b>Engineering and programming expenses:</b>		
Radio	\$ 5,672	6,112
Television	1,146	1,474
Consolidated	\$ 6,818	7,586
<b>Selling, general and administrative expenses:</b>		
Radio	\$ 14,932	11,327
Television	1,631	1,651
Consolidated	\$ 16,563	12,978
<b>Corporate expenses:</b>	\$ 2,793	2,549
<b>Depreciation and amortization:</b>		
Radio	\$ 460	475
Television	559	584
Corporate	92	106
Consolidated	\$ 1,111	1,165
<b>Gain on the disposal of assets, net of disposal costs:</b>		
Radio	\$ (12,826)	\$ —
Television	—	—
Corporate	—	—
Consolidated	\$ (12,826)	\$ —



The following summary table presents a comparison of our results of operations for the three-months ended June 30, 2017 and 2016 (in thousands). Various fluctuations in our results are discussed below. This section should be read in conjunction with our unaudited condensed consolidated financial statements and notes.

	Three-Months Ended June 30,	
	2017	2016
Net revenue	\$ 34,181	\$ 35,260
Engineering and programming expenses	6,818	7,586
Selling, general and administrative expenses	16,563	12,978
Corporate expenses	2,793	2,549
Depreciation and amortization	1,111	1,165
Gain on disposal of assets, net of disposal costs	(12,826)	—
Recapitalization costs	3,263	—
Other operating gains	—	(26)
Operating income	16,459	11,008
Interest expense, net	(9,328)	(10,053)
Dividends on Series B preferred stock classified as interest expense	(2,433)	(2,434)
Income tax expense	2,131	2,300
Net income (loss)	<u>2,567</u>	<u>(3,779)</u>

### ***Net Revenue***

The decrease in our consolidated net revenues of \$1.1 million or 3% was due to decreases in both our radio segment and television segments' net revenues. Our radio segment net revenues decreased \$0.2 million or less than 1%, due to decreases in national and local revenue, which were partially offset by increases in special events. Our local sales decreased in our Los Angeles, Chicago, Puerto Rico and New York markets, while our national sales decreased in our Los Angeles, New York, Puerto Rico and Chicago markets. Our special events revenue increased primarily in our San Francisco market. Our television segment net revenues decreased by \$0.9 million or 24%, due to the decreases in local sales.

### ***Engineering and Programming Expenses***

The decrease in our consolidated engineering and programming expenses of \$0.8 million or 10% was due to the decreases in both our radio and television segments' expenses. Our radio segment expenses decreased \$0.5 million or 7%, mainly due to a decrease in transmitter rents, programming compensation and benefits, and music license fees. The television segment expenses decreased by \$0.3 million or 22% primarily due to decreases in programming related production costs and the increase of production tax credits in Puerto Rico.

### ***Selling, General and Administrative Expenses***

The increase in our consolidated selling, general and administrative expenses of approximately \$3.6 million or 28% was due to an increase in our radio segment's expenses. Our radio segment expenses increased approximately \$3.6 million or 32%, mainly due to increases in special events, taxes and licenses, barter, legal and Aire network related affiliate compensation expenses partially offset by reductions in severance expenses. Our television segment expenses remained flat and decreased less than \$0.1 million or 1%, primarily due decreases in barter expenses offset by increases in professional fees associated with the acquisition of the Puerto Rico production tax credits.

### ***Corporate Expenses***

The increase in corporate expenses of \$0.2 million or 10% was mostly due to increases in compensation and benefits, and professional fees.

### ***Gain on Sale of Assets, net of disposal costs***

The increase from the gain on sale of assets of \$12.8 million was due to the sale of our Los Angeles facility in June 2017.

### ***Recapitalization Costs***

The Company incurred \$3.3 million of recapitalization costs, primarily due to professional fees related to the current process of evaluating all options available towards executing a comprehensive recapitalization plan, as described in Note 1, Basis of Presentation,

of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q. Also included in these amounts are the consent fees paid to the Supporting Holders of the Notes who entered into the Forbearance Agreement with the Company, as well as the legal and financial advisory fees incurred by the Supporting Holders.

***Operating Income***

The increase in operating income of \$5.5 million or 50% was primarily due to the gain on the sale of our Los Angeles facility partially offset by the decrease in net revenues, the increase in operating expenses and increase in recapitalization costs.

***Interest Expense, net***

The decrease in interest expense of \$0.7 million or 7% was primarily due to the decrease in amortization of the originally issued discount and deferred financing costs being amortized and recorded as interest expense over the term of the Notes, which expired on April 15, 2017.

***Income Tax Expense***

The decrease in income tax expenses of \$0.2 million or 7% was primarily a result of the partial release of valuation allowance against the US PR Licensing NOLs in 2017. The gain on the sale of property in 2017 will be absorbed by operating losses for the current year, and as such, there is no incremental tax expense recorded for this transaction.

***Net Income***

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

## Comparison Analysis of the Operating Results for the Six-Months Ended June 30, 2017 and 2016

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

	Six-Months Ended June 30,	
	2017	2016
<b>Net revenue:</b>		
Radio	\$ 59,503	59,954
Television	6,028	6,919
Consolidated	\$ 65,531	66,873
<b>Engineering and programming expenses:</b>		

		Six-Mon F June 30,	(20,089
		2017	2016
Net revenue	\$	65,531	66,873
Engineering and programming expenses		15,435	15,748
Selling, general and administrative expenses		31,050	28,433
Corporate expenses		5,237	5,542
Depreciation and amortization		2,243	2,415
Operating income		(12,827)	(3)
Recapitalization costs		4,089	—
Other operating gains		—	(26)
Operating income		20,304	14,764
Interest expense, net			

### ***Operating Income***

The increase in operating income of \$5.5 million or 38% was primarily due to the gain on the sale of our Los Angeles facility partially offset by the decrease in net revenues, the increase in operating expenses and recapitalization costs.

### ***Interest Expense, net***

The decrease in interest expense of \$0.8 million or 4% was primarily due to the decrease in amortization of the originally issued discount and deferred financing costs being amortized and recorded as interest expense over the term of the Notes, which expired on April 15, 2017.

### ***Income Tax Expense***

The decrease in income tax expenses of \$0.5 million or 10% was primarily due to the tax impacts of the Puerto Rico Swap transaction during 2016, which did not reoccur in 2017. The gain on the sale of property in 2017 will be absorbed by operating losses for the current year, and as such, there is no incremental tax expense recorded for this transaction.

### ***Net Loss***

The decrease in net loss was primarily due to the increased operating income and decrease in interest and income tax expense.

### **Liquidity and Capital Resources**

On October 15, 2013, as a result of a failure by us to repurchase all of the shares of Series B preferred stock that were requested to be repurchased by the holders thereof, a Voting Rights Triggering Event occurred. Following the occurrence, and during the continuation, of the Voting Rights Triggering Event, we are subject to more restrictive operating covenants, including a prohibition on our ability to incur any additional indebtedness and restrictions on our ability to pay dividends or make distributions, redeem or repurchase securities, make investments, enter into transactions with affiliates or merge or consolidate with (or sell substantially all of our assets to) any other person. The Voting Rights Triggering Event shall continue until (i) all dividends in arrears shall have been paid in full and (ii) all other failures, breaches or defaults giving rise to such Voting Rights Triggering Event are remedied or waived by the holders of at least a majority of the shares of the then outstanding Series B preferred stock. We do not currently have sufficient funds legally available to be able to satisfy the conditions for terminating the Voting Rights Triggering Event.

Our primary sources of liquidity are our current cash and cash equivalents and the cash provided by operations. We do not currently have a revolving credit facility or other working capital lines of credit. Our cash flows from operations are subject to factors impacting our customers and target audience, such as overall advertising demand, shifts in population, station listenership and viewership, demographics, audience tastes and fluctuations in preferred advertising media. We do not expect to raise cash by increasing our indebtedness for several reasons, including the need to repay the Notes, the existence of an event of default under the Indenture that arose on April 17, 2017 (being the payment date following the Saturday, April 15, 2017 maturity date) and the existence of the Voting Rights Triggering Event. The Company continues to negotiate with the holders of the Notes and holders of the Series B Preferred Stock as to refinancing possibilities and any extension of the Forbearance Agreement, as may become necessary. As described in Note 1, Basis of Presentation, of the Notes to the financial statements included elsewhere in this Quarterly Report on Form 10-Q, one or more Noteholders may seek to exercise various remedies against us, including foreclosing on our assets that constitute collateral under the Indenture.

Our consolidated financial statements have been prepared assuming we will continue as a going-concern and do not include any adjustments that might result if we were unable to do so, and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. However, we have concluded that there is substantial doubt about our ability to continue as a going concern as discussed under "Critical Accounting Policies - Going Concern" in Item 7 of our annual report on Form 10-K for the year ended December 31, 2016. As of June 30, 2017 and December 31, 2016, we had a working capital deficit due primarily to the classification of our Series B preferred stock as a current liability and the classification of our Notes as a current liability. Under Delaware law, our state of incorporation, the Series B preferred stock is deemed equity. Because the holders of the Series B preferred stock are not creditors, they do not have rights of, or remedies available to, creditors. Delaware law does not recognize a right of preferred stockholders to force redemptions or repurchases where the corporation does not have funds legally available. Currently, we do not have sufficient funds legally available to be able to redeem or repurchase the Series B preferred stock and its accumulated unpaid dividends. If we are successful in repaying or refinancing our Notes, and are able to generate legally available funds under Delaware law, we may be required to pay all or a portion of the accumulated preferred dividends and redeem all or a portion of the Series B preferred stock, to extent of the funds legally available.

Our strategy is to primarily utilize cash flows from operations to meet our ordinary course operating 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 ordinary course operating obligations over the next twelve-month period. Cash from operating activities will not be sufficient to repay the Notes or to redeem the Series B preferred stock.

Assumptions which underlie management's beliefs with respect to operating activities include the following:

the demand for advertising within the broadcasting industry and economic conditions in general will not deteriorate in any material respect;

despite the consequences resulting from the occurrence of the Voting Rights Triggering Event, we will continue to successfully implement our business strategy; other than with respect to acquisitions and investments requiring proceeds from debt financings;

we will use cash flows from operating activities to fund our operations and pay our expenses (including interest on the Notes), but not to repay the Notes or redeem the Series B preferred stock; and

we will not incur any material unforeseen liabilities, including but not limited to taxes, environmental liabilities, regulatory matters or legal judgments.

We cannot assure you that these assumptions will be realized.

Historically, we have evaluated strategic media acquisitions and/or dispositions and strived 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 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. As a result of the consequences resulting from the occurrence of the Voting Rights Triggering Event, we are currently not able to finance acquisitions through the incurrence of additional debt and are subject to additional restrictions which may preclude us from being able to execute this strategy.

#### ***12.5% Senior Secured Notes***

On February 7, 2012 we closed our offering of \$275 million of 12.5% Senior Secured Notes.



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.

As a result of our failure to pay the Notes at maturity, an event of default under the Indenture has occurred and is continuing.

### **Summary of Capital Resources**

The following summary table presents a comparison of our capital resources for the six-months ended June 30, 2017 and 2016, with respect to certain key measures affecting our liquidity (in thousands). The changes set forth in the table are discussed below. This



### ***OTC Markets Notice***

On April 3, 2017, we received a written notice from OTC Markets ("OTC"), advising us that our market capitalization had stayed below \$5 million for more than 30 consecutive calendar days (the "Rule") and that it no longer met the Standards for Continued Qualification for the OTCQX as per the OTCQX Rules for U.S. Companies. OTC further notified us that a cure period of 180 calendar days to regain compliance had begun, during which the minimum criteria must be met for 10 consecutive trading days. The 180-calendar day grace period expires September 30, 2017. If our market capitalization has not been at or above \$5 million for 10 consecutive trading days by that time, our Class A common stock will be moved from OTCQX to OTC Pink, which may result in further reduced liquidity for our Class A common stock.

On July 20, 2017, we received notification from the OTC informing the Company that it had regained compliance with the minimum market capitalization standard of \$5 million for a minimum of 10 consecutive trading days as set forth by OTCQX Rules for U.S. Companies. Accordingly, the Company has regained compliance with the Rule and will continue to be listed on the OTCQX.

### **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.

### **Recently Issued Accounting Pronouncements**

Recently issued accounting pronouncements are described in Note 1 to the unaudited condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q.

### **Critical Accounting Policies**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect reported amounts and related disclosures. We consider an accounting estimate to be critical if:

- it requires assumptions to be made that were uncertain at the time the estimate was made; and
- changes in the estimate or different estimates that could have been selected could have a material impact on our results of operations or financial condition.

Our critical accounting policies are described in Item 7 of our annual report on Form 10-K for the year ended December 31, 2016. There have been no material changes to our critical accounting policies during the six-months ended June 30, 2017.

### **Item 3**

## **PART II—OTHER INFORMATION**

### **Item 1. Legal Proceedings**

For a description of our legal proceedings, see Note 6, Commitments and Contingencies, of the Notes to the unaudited condensed consolidated financial statements of this Quarterly Report on Form 10-Q.

**Item 6. Exhibits**

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

**Exhibit  
Number**

**Exhibit Description**

10.1\*

## 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: August 14, 2017

## EXHIBIT INDEX

Exhibit Number	Exhibit Description
10.1*	Contract of Purchase and Sale, dated May 15, 2017, among Spanish Broadcasting System, Inc. and Harbor Associates, LLC.
31.1*	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Periodic Financial Report by Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Periodic Financial Report by Chief Financial Officer 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



**TABLE OF CONTENTS**

1. Purchase and Sale ..... 2

2. Purchase Price ..... 2

3. Payment of Purchase Price..... 2

    3.1 Deposit ..... 2

    3.2 Independent Consideration ..... 2

    3.3 Closing Payment ..... 2

4. Title Matters; Due Diligence Review; Conditions Precedent..... 2

    4.1 Title Matters ..... 2

    4.2 Due Diligence Reviews..... 5

    4.3

11.6	Governing Law .....	25
11.7	Construction.....	25
11.8	Successors and Assigns .....	25
11.9	Notices .....	25
11.10	Third Parties .....	26
11.11	Legal Costs .....	27
11.12	Counterparts.....	27
11.13	Effectiveness.....	27
11.14	No Implied Waivers.....	27
11.15	Discharge of Seller’s Obligations.....	27
11.16	No Recordation.....	27
11.17	Unenforceability .....	27
11.18	Waiver of Trial by Jury .....	28
11.19	Disclosure .....	28
11.20	Designation of Reporting Person.....	28
11.21	Tax Reduction Proceedings .....	28
11.22	Press Releases.....	29
11.23	California Required Natural Hazard Disclosure.....	29
11.24	Post-Closing Lease .....	29
11.25	Survival.....	30

**EXHIBITS**

Exhibit A	- Land
Exhibit B	- Additional Exceptions to Title
Exhibit C	- Litigation
Exhibit D	- Deed
Exhibit E	- Assignment and Assumption of Leases and Contracts
Exhibit F	- Bill of Sale and General Assignment
Exhibit G	- Certification of Non-Foreign Status
Exhibit H	- Form of Tenant Notice
Exhibit I	- Form of Vendor Notice
Exhibit J	- Form of Owner’s Title Certificate
Exhibit K	- Lease Exhibit
Exhibit L	- Maintenance, Service and Supply Contracts, and Equipment Leases
Exhibit M	- Escrow Agreement
Exhibit N-1	- Excluded Personal Property
Exhibit N-2	- Excluded Intangible Property



## CONTRACT OF PURCHASE AND SALE

THIS CONTRACT OF PURCHASE AND SALE (this “**Agreement**”) is made and entered into as of the 15th day of May, 2017 (the “**Effective Date**”), by and between **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation having an address c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166 (“**Seller**”) and **HARBOR ASSOCIATES, LLC**, a Delaware limited liability company, having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802 (“**Purchaser**”).

### WITNESSETH:

- A. Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, at the price and upon the terms and conditions set forth in this Agreement, (a) that certain parcel of land located at 10281 Pico Boulevard, Los Angeles, California 90064, and more particularly described on Exhibit A attached hereto (the “**Land**”), (b) the buildings, improvements, and structures located upon the Land (collectively, the “**Improvements**”), (c) all other easements and rights appurtenant to the Land, if any (collectively, the “**Appurtenant Rights**”, and together with the Land and the Improvements, the “**Real Property**”), (d) all right, title and interest of Seller in, to and under the Leases (as hereinafter defined), and, to the extent assignable, the Contracts (as hereinafter defined), (e) other than as set forth on Exhibit N-1 (which items, for avoidance of doubt, shall remain the sole property of Seller), all right, title and interest of Seller, if any, in and to the fixtures, equipment and other tangible personal property owned by Seller and, located on, and used exclusively in connection with, the Real Property (collectively, the “**Personal Property**”) and (f) other than as set forth on Exhibit N-2 (which items, for avoidance of doubt, shall remain the sole property of Seller), to the extent assignable without consent or payment of any kind, all right, title and interest of Seller in, to and under any governmental permits, licenses and approvals, warranties and guarantees that Seller has received in connection with any work or services performed with respect to, or equipment installed in, the Improvements (collectively, the “**Intangible Property**”, and together with the Real Property, the Leases, the Contracts, the Personal Property and the Intangible Property, collectively, the “**Property**”).
- B. Seller and Purchaser acknowledge that Seller (or affiliates of Seller) presently uses the Property, including the Improvements, in connection with its business operations, and, that Seller does not intend to relocate such business operations prior to the Closing Date (as hereinafter defined). Purchaser, therefore, agrees to lease the Real Property to Seller or an affiliate thereof, on and as of the Closing Date, upon and pursuant to the terms and conditions set forth in the Post-Closing Lease (as hereinafter defined). The Post-Closing Lease shall be executed and delivered by Purchaser, as landlord, and Seller or an affiliate thereof, as tenant, at the Closing. Purchaser’s agreement to execute and deliver the Post-Closing Lease at the Closing is a material inducement

NOW, THEREFORE, for \$10.00 in hand paid and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. Purchase and Sale. Upon the terms and conditions hereinafter set forth, Seller shall sell to Purchaser, and Purchaser shall purchase from Seller, the Property.

2. Purchase Price. The purchase price (the "**Purchase Price**") for the Property shall be the sum of Fourteen Million Seven Hundred Thousand Dollars (\$14,700,000).

3. Payment of Purchase Price. The Purchase Price shall be paid to Seller by Purchaser as follows:

3.1 Deposit. Within two (2) Business Days (as hereinafter defined) after the Effective Date, Purchaser shall d.78rll d.78rlw

title insurance policy in the standard form issued by the Title Company in the State of California, exclusive of any endorsement thereto (the “**Owner’s Policy**”), subject only to the Permitted Exceptions (as hereinafter defined). It is understood that Purchaser may request extended coverage and a number of endorsements to the Owner’s Policy. Purchaser shall satisfy itself prior to the expiration of the Due Diligence Period that the Title Company will be willing to issue such extended coverage and endorsements at Closing; however, the issuance of such extended coverage and endorsements shall not be conditions to Closing for Purchaser’s benefit.

(b) Seller has delivered to Purchaser a commitment and/or preliminary title report for an owner’s fee title insurance policy or policies with respect to the Real Property (the “**Title Commitment**”) together with copies of each of the title exceptions noted therein prior to the Effective Date. Purchaser previously ordered, at its sole cost and expense, a survey of the Property

(c) Except as to Mandatory Objections (which Seller will be obligated to eliminate), if Seller elects in Seller's Title Response not, or is deemed to elect not, to eliminate all

(e) any other matter or thing affecting title to the Real Property that Purchaser shall have agreed or be deemed to have agreed to waive as an Unpermitted Exception;

(f) rights of the tenants under a Lease either identified in the Lease Exhibit (as hereinafter defined) or entered into after the Effective Date in accordance with the terms of this Agreement;

(g) all violations of laws, ordinances, orders, requirements or regulations of any Governmental Authority applicable to the Real Property and existing on the Closing Date, whether or not noted in the records of or issued by any Governmental Authority;

(h) all utility easements of record which do not interfere with the present use of the Real Property;

(i) liens which are the responsibility of any tenant at the Real Property to cure, correct or remove;

(j) subject to Seller's obligation to deliver the Owner's Title Certificate (as hereinafter defined) pursuant to Section 5.1.13, the printed exceptions which appear in the standard form owner's policy of the title insurance issued by the Title Company in the State of California;

Under no circumstance will Mandatory Objections constitute Permitted Exceptions.

#### 4.2 Due Diligence Reviews.

4.2.1 Except for title and survey matters (which shall be governed by the provisions of Section 4.1 above), Purchaser shall have until 5:00 p.m. (Pacific time) on the date which is fifteen (15) days after the Effective Date, TIME BEING OF THE ESSENCE (the period of time commencing upon the Effective Date and continuing through and including such time on such date being herein called the "**Due Diligence Period**") within which to perform and complete all of Purchaser's due diligence examinations, reviews and inspections of all matters pertaining to the purchase of the Property, including, without limitation, all leases and service contracts, and all physical, environmental and compliance matters and conditions respecting the Property (collectively, the "**Investigations**"), which Investigations shall at all times be subject to Purchaser's compliance with the provisions of this Section 4.2. Prior to Closing, Seller shall provide Purchaser with reasonable access to the Real Property upon reasonable advance notice. During the Due Diligence Period, Seller shall make available to Purchaser, at the offices of Seller and/or the property manager of the Property, access to such leases, service contracts, and other contracts and agreements with respect to the Property in Seller's possession as Purchaser shall reasonably request, all upon reasonable advance written notice; provided, however, in no event shall Seller be obligated to make available (1) any document or correspondence which would be subject to the attorney-client privilege; (2) any document or item which Seller is contractually or otherwise bound to keep confidential; (3) any documents pertaining to the marketing of the Property for sale to prospective purchasers; (4) any internal memoranda, reports or assessments relating to the Property; (5) appraisals of the Property whether prepared internally by Seller or Seller's affiliates or externally; or (6) any documents which Seller considers, in its good faith, confidential or proprietary. Any entry upon the Property and all Investigations shall be made or performed during Seller's normal business hours and at the sole risk and expense of Purchaser, and shall not interfere with the activities on or

about the Real Property of Seller, its tenants or their respective employees and invitees. Purchaser shall:

(a) promptly repair any damage to the Property resulting from any such Investigations and replace, refill and regrade any holes made in, or excavations of, any portion of the Property used for such Investigations so that the Property shall be in the same condition that it existed in prior to such Investigations;

(b) fully comply with all laws applicable to the Investigations and all other activities undertaken in connection therewith;

(c) permit Seller to have a representative present during all Investigations undertaken hereunder;

(d) take all commercially reasonable actions and implement all commercially reasonable protections necessary to ensure that the Investigations and the equipment, materials, and substances generated, used or brought onto the Real Property in connection with the Investigations, pose no threat to the safety or health of persons or the environment, and cause no damage to the Property or other property of Seller or other persons;

(e) maintain or cause to be maintained, at Purchaser's expense, a policy of commercial general liability insurance, with a broad form contractual liability endorsement and with a combined single limit of not less than \$2,000,000 per occurrence and \$4,000,000 in the aggregate for bodily injury and property damage, automobile liability coverage including owned and hired vehicles with a combined single limit of \$2,000,000 per occurrence for bodily injury and property damage, insuring Purchaser and naming Seller as and additional insured, against any injuries or damages to persons or property that may result from or are related to (i) Purchaser's and/or any of the Purchaser's Representatives' (as hereinafter defined) entry upon the Real Property, (ii) any Investigations or other activities conducted thereon, and/or (iii) any and all other activities undertaken by Purchaser and/or any of the Purchaser's Representatives, all of which insurance shall be on an "occurrence form" and otherwise in such forms acceptable to Seller and with an insurance company acceptable to Seller and shall provide that no cancellation or reduction thereof shall be effective until at least thirty (30) days after receipt by Seller of written notice thereof, and deliver a



Purchaser's Investigations and the Transaction, provided that those to whom such Information is disclosed are informed of the confidential nature thereof and agree(s) to keep the same confidential in accordance with the terms and conditions hereof.

(c) Purchaser shall, and shall cause each of the Purchaser's Representatives to, use reasonable care to maintain in good condition all of the Information furnished or made available to such Person in accordance with this Section 4.2.2. If this Agreement is terminated, then Purchaser shall, and shall cause each of the Purchaser's Representatives to, promptly deliver to Seller all originals and copies of the Information in the possession of such Person that were delivered or provided by Seller or any Seller Related Parties, and to expunge and delete any of the Information maintained on any word processing or computer system or in any other electronic form to the extent practicable.

(d) As used in this Agreement, the term "**Information**" shall mean any of the following: (i) all information and documents in any way relating to the Property, the operation thereof or the sale thereof, including, without limitation, all leases and contracts furnished to, or otherwise made available (including, without limitation, in any electronic data room established by or on behalf of Seller) for review by, Purchaser or its directors, officers, employees, affiliates, partners, members, brokers, agents or other representatives, including, without limitation, attorneys, accountants, contractors, consultants, engineers and financial advisors (collectively, the "**Purchaser's Representatives**"), by any of the Seller Related Parties or any of their agents or representatives, including, without limitation, their contractors, engineers, attorneys, accountants, consultants, brokers or advisors, and (ii) all analyses, compilations, data, studies, reports or other information or documents prepared or obtained by Purchaser or any of the Purchaser's Representatives containing or based on, in whole or in part, the information or documents described in the preceding clause (i), the Investigations, or otherwise reflecting their review or investigation of the Property.

(e) Purchaser shall indemnify and hold harmless each of the Seller Related Parties from and against any and all Claims suffered or incurred by any of the Seller Related Parties and arising out of or in connection with a breach by Purchaser or any of the Purchaser's Representatives of the provisions of this Section 4.2.2.

(f) In addition to any other remedies available to Seller, Seller shall have the right to seek equitable relief, including, without limitation, injunctive relief and/or specific performance, against Purchaser or any of the Purchaser's Representatives in order to enforce the provisions of this Section 4.2.2.

(g) The provisions of this Section 4.2.2 shall survive a termination of this Agreement for a period of one (1) year.

4.2.3 Termination Right. Purchaser shall, prior to the expiration of the Due



BEING OF THE ESSENCE, then, provided that Purchaser shall not be in default under this Agreement, the Deposit shall be promptly returned to Purchaser, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligation under this Agreement except for the Surviving Obligations). If Purchaser shall deliver the Waiver Notice to Seller before the expiration of the Due Diligence Period, TIME BEING OF THE ESSENCE, then Purchaser shall be deemed to have agreed that the Property is acceptable to Purchaser and that it intends to proceed with the acquisition of the Property without a reduction in, or an abatement of or credit against, the Purchase Price and, thereafter, Purchaser shall have no further right to terminate this Agreement pursuant to this Section 4.2.3 and Escrowee shall immediately thereafter pay the Deposit to Seller.

4.3 Conditions Precedent to Obligations of Purchaser; No Financing Contingency. The obligation of Purchaser to consummate the Transaction shall be subject to the performance and observance, in all material respects, by Seller of all covenants, warranties and agreements of this Agreement to be performed or observed by Seller prior to or on the Closing Date and the fulfillment on or before the Closing Date of all other conditions precedent to Closing benefiting Purchaser specifically enumerated in this Agreement, any or all of which may be waived by Purchaser in its sole discretion. Notwithstanding anything to the contrary contained herein, Purchaser acknowledges and agrees that, while Purchaser may at its own risk attempt to obtain financing with regard to its acquisition of the Property, (i) Purchaser's obtaining, or ability to obtain, financing for its acquisition of the Property is in no way a condition to Purchaser's performance of its obligations under this Agreement, (ii) Purchaser's performance of its obligations under this Agreement is in no way dependent or conditioned upon the availability of any financing whether generally in the marketplace or specifically in favor of Purchaser, and (iii) in no event shall the Closing be delayed on account of Purchaser's obtaining, or ability to obtain, financing.

4.4 Conditions Precedent to Obligations of Seller. The obligation of Seller to consummate the Transaction shall be subject to the performance and observance, in all material respects, by Purchaser of all covenants, warranties and agreements of this Agreement to be performed or observed by Purchaser prior to or on the Closing Date and the fulfillment on or before the Closing Date of all other conditions precedent to Closing benefiting Seller specifically enumerated in this Agreement, any or all of which may be waived by Seller in its sole discretion.

5. Closing. The closing (the "**Closing**") of the Transaction shall occur at 1:00 p.m. (Pacific time) on or before May 31, 2017 (the "**Scheduled Closing Date**") (as the same may be extended as expressly provided herein), **TIME BEING OF THE ESSENCE** with respect to Purchaser's obligation to close on such date, at the offices of Escrowee through an escrow and pursuant to escrow instructions consistent with the terms of this Agreement and otherwise mutually satisfactory to Seller and Purchaser (the date on which the Closing shall occur being herein referred to as the "**Closing Date**"). It is contemplated that the Transaction shall be closed by means of a so called "New York Style Closing", with the concurrent delivery of the documents of title, the commitment to deliver the Owner's Policy and the payment of the Purchase Price. Notwithstanding the foregoing, there shall be no requirement that Seller and Purchaser physically meet for the Closing, and all documents and funds to be delivered at the Closing shall be delivered to Escrowee unless the parties hereto mutually7k

approval by each party of all matters to which such party has a right of approval and a waiver of all conditions precedent.

5.1 Seller Deliveries. At or prior to the Closing, Seller shall deliver or cause to be delivered to Purchaser or to the Escrowee, as the case may be, the following items executed and



the Deed, (d) one-half (1/2) of the cost of Escrowee, and (e) all fees, costs or expenses in connection with Purchaser's due diligence reviews hereunder. Any other closing costs shall be allocated in accordance with local custom. Except as expressly provided in the indemnities set forth in this Agreement, Seller and Purchaser shall pay their respective legal, consulting and other professional fees and expenses incurred in connection with this Agreement and the Transaction and their respective shares of proration as hereinafter provided. The provisions of this Section 5.3 shall survive the Closing or a termination of this Agreement.

5.4 Prorations.

5.4.1 The following provisions shall govern the adjustments and proration that shall be made at Closing and the allocation of income and expenses from the Property between Seller and Purchaser. Except as expressly provided in this Section 5.4.1, all items of operating revenue and

right shall survive the Closing. Purchaser shall reasonably cooperate with Seller in any collection efforts hereunder (but shall not be required to litigate or declare a default under any of the leases). With respect to delinquent rents and any other amounts or other rights of any kind respecting tenants

Seller in connection with the repair of such damage or destruction or collection costs of Seller respecting any awards or other proceeds for such taking by eminent domain or condemnation or any uncollected insurance proceeds which Seller may be entitled to receive from such damage or destruction, as applicable. In connection with any assignment of awards, proceeds or insurance hereunder, Seller shall credit Purchaser with an amount equal to the applicable deductible amount under Seller's insurance (but not more than the amount by which the cost, as of the Closing Date, to repair the damage is greater than the amount of insurance proceeds assigned to Purchaser); provided, however, if the amount of the damage or the value of the taking (in each case, as determined by an independent third party contractor or engineer selected by Seller and reasonably approved by Purchaser) or the amount of condemnation award shall exceed the sum of Two Million Dollars (\$2,000,000),

leasing contracts entered into by Seller that are cancelable on thirty (30) days' notice or less without premium or penalty, (iii) leasing commissions described in the Leases, and (iv) contracts and agreements that are entered into by Seller after the Effective Date in accordance with the terms of this Agreement, if any. To the best of Seller's knowledge, Seller has not delivered or received any written notice of a material default under any of the Contracts, which default remains uncured in any material respect.

(h) Due Authority. This Agreement has been duly authorized, executed, and delivered by, and is binding upon, Seller, and each agreement, instrument and document herein provided to be executed by Seller on the Closing Date will be duly authorized, executed, and delivered by, and be binding upon, Seller, and enforceable against Seller in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors. Seller is a corporation, duly organized and validly existing and in good standing under the laws of the State of New Jersey, and is, or on the Closing Date will be, duly authorized and qualified to do all things required of it under this Agreement.

Notwithstanding anything contained in this Agreement to the contrary, but subject to the terms of Sections 7.2.2 and 7.2.3, the representations and warranties of Seller set forth in Sections 7.1.1(a) and 7.1.1(b) exclude, and Seller is not providing any representation or warranty, as to any contracts, leases, licenses or agreements that are terminated prior to the Closing or that Purchaser has elected to terminate in accordance with this Agreement. The provisions of this paragraph shall survive the Closing.

Notwithstanding anything contained in this Agreement to the contrary, (i) if any of the representations or warranties of Seller contained in this Agreement or in any document or instrument delivered in connection herewith are false or inaccurate or if Seller is in breach or default of any of its obligations under this Agreement and if either (x) on or prior to the expiration of the Due Diligence Period Purchaser shall have had actual knowledge of the false or inaccurate representations or warranties or other breach or default, or (y) the accurate state of facts pertinent to such false or inaccurate representations or warranties or evidence of such other breach or default was contained in any of the Information furnished or made available to or otherwise obtained by Purchaser on or prior to the expiration of the Due Diligence Period, then Seller shall have no liability or obligation respecting such representations or warranties that are false or inaccurate or such other breach or default (and Purchaser shall have no cause of action or right to terminate this Agreement with respect thereto), and the representations and warranties of Seller shall be deemed modified to the extent necessary to eliminate such false and inaccurate information and to make such representations and warranties true and accurate in all respects; and (ii) if any of the representations or warranties of Seller that survive Closing contained in this Agreement or in any document or instrument delivered in connection herewith are false or inaccurate, or if Seller is in breach or default of any of its obligations under this Agreement that survive Closing, and if either (x) following the expiration of the Due Diligence Period but prior to Closing, Purchaser shall obtain knowledge of such false or inaccurate representations or warranties or such other breach or default, or (y) the accurate state of facts pertinent to such false or inaccurate representations or warranties or evidence of such other breach or default was contained in any of the Information furnished or made available to or otherwise obtained by Purchaser following the expiration of the Due Diligence Period and the Transaction closes, then Purchaser shall be deemed to have waived such breach or default, Seller shall have no liability or obligation respecting such false or inaccurate representations or warranties or such other breach or default, and Purchaser shall have no cause of action with respect thereto. The provisions of this paragraph shall survive the Closing.

References to the “knowledge”, “best knowledge” and/or “actual knowledge” of Seller or words of similar import shall refer only to the current actual (as opposed to implied or constructive) knowledge of Doug Wiener, the Director of Real Estate and Facilities for the Property, and shall not be construed, by imputation or otherwise, to refer to the knowledge of Seller or any parent, subsidiary or affiliate of Seller or to any other officer, agent, manager, representative or



employee of Seller or to impose upon Doug Wiener any duty to investigate the matter to which such actual knowledge, or the absence thereof, pertains. Notwithstanding anything to the contrary contained in this Agreement, Doug Wiener shall have no personal liability hereunder.

The representations and warranties of Seller set forth in this Section 7.1.1 shall survive the Closing for a period of two hundred seventy (270) days. In furtherance thereof, Purchaser acknowledges and agrees that it shall have no right to make any claim against Seller on account of any breach of any representations or warranties set forth in this Section 7.1.1 unless an action on account thereof shall be filed in a court of competent jurisdiction prior to the expiration of the survival period set forth in this paragraph. To the fullest extent permitted by law, the foregoing shall constitute the express intent of the parties to shorten the period of limitations for bringing claims on account of Seller's breach of its representations and warranties contained in this Section 7.1.1 if a longer period would otherwise be permitted by applicable law.

7.1.2 GENERAL DISCLAIMER. EXCEPT AS SPECIFICALLY SET FORTH IN SECTIONS 7.1.1 AND 11.1.1 OF THIS AGREEMENT, THE SALE OF THE PROPERTY HEREUNDER IS AND WILL BE MADE ON AN "AS IS", "WHERE IS," AND "WITH ALL FAULTS" BASIS, WITHOUT REPRESENTATIONS AND WARRANTIES OF ANY KIND OR NATURE, EXPRESS, IMPLIED OR OTHERWISE, INCLUDING, WITHOUT LIMITATION, ANY REPRESENTATION OR WARRANTY CONCERNING TITLE TO THE PROPERTY, THE PHYSICAL CONDITION OF THE PROPERTY (INCLUDING, WITHOUT LIMITATION, THE

POLICY, AND (B) WITHOUT LIMITING THE FOREGOING (OTHER THAN AS EXPRESSLY PROVIDED IN SECTIONS 7.1.1 AND 11.1.1 OF THIS AGREEMENT), PURCHASER WAIVES ANY RIGHT IT OTHERWISE MAY HAVE AT LAW OR IN EQUITY, INCLUDING, WITHOUT LIMITATION, THE RIGHT TO SEEK DAMAGES FROM SELLER IN CONNECTION WITH THE ENVIRONMENTAL CONDITION OF THE PROPERTY, INCLUDING, WITHOUT LIMITATION, ANY RIGHT OF CONTRIBUTION UNDER THE COMPREHENSIVE ENVIRONMENTAL RESPONSE COMPENSATION AND LIABILITY ACT. THE PROVISIONS OF THIS SECTION

Contract on the Closing Date and that Purchaser shall accept title without an abatement in or credit against the Purchase Price. The provisions of this Section 7.2.3(b) shall survive the Closing.

7.2.4 Seller shall use commercially reasonable efforts to keep in force and effect the insurance policies currently carried by Seller with respect to the Property or policies providing similar coverage through the Closing Date.

7.3 Representations, Warranties and Covenants of Purchaser.

7.3.1 Representations and Warranties of Purchaser. Purchaser hereby represents and warrants to Seller that:

(a) Due Authority. This Agreement has been duly authorized, executed, and delivered by, and is binding upon, Purchaser, and each agreement, instrument and document herein provided to be executed by Purchaser on the Closing Date will be duly authorized, executed, and delivered by, and be binding upon, Purchaser, and enforceable against Purchaser in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws of general application affecting the rights and remedies of creditors. Purchaser is a limited liability company, duly organized, validly existing, and in good standing under the laws of the State of Delaware and is duly authorized and qualified to do all things required of it under this Agreement.

(b) Litigation. To the best of Purchaser's knowledge, there is no material pending or threatened litigation action against Purchaser that could reasonably be expected to adversely impact Purchaser's ability to perform its obligations under this Agreement.

(c) No Insolvency. Purchaser is not and, as of the Closing Date, Purchaser will not be, a debtor in any state or federal insolvency, bankruptcy or receivership proceeding.

(d) OFAC, PATRIOT Act, and Anti-Money Laundering Compliance.

8. Release.

8.1 RELEASE. EFFECTIVE AS OF THE CLOSING, PURCHASER SHALL BE DEEMED TO HAVE RELEASED EACH OF THE SELLER RELATED PARTIES FROM ALL CLAIMS WHICH PURCHASER OR ANY AGENT, REPRESENTATIVE, AFFILIATE, EMPLOYEE, DIRECTOR, OFFICER, PARTNER, MEMBER, SERVANT, SHAREHOLDER OR OTHER PERSON OR ENTITY ACTING ON BEHALF OF OR OTHERWISE RELATED TO OR AFFILIATED WITH PURCHASER HAS OR MAY HAVE ARISING FROM OR RELATED TO ANY MATTER OR THING RELATED TO OR IN CONNECTION WITH THE PROPERTY INCLUDING, WITHOUT LIMITATION, THE DOCUMENTS AND INFORMATION REFERRED TO HEREIN, THE LEASES AND THE TENANTS THEREUNDER, THE CONTRACTS, ANY CONSTRUCTION DEFECTS, ERRORS OR OMISSIONS IN THE DESIGN OR CONSTRUCTION OF ALL OR ANY PORTION OF THE PROPERTY AND ANY ENVIRONMENTAL CONDITIONS, AND PURCHASER SHALL NOT LOOK TO ANY OF THE SELLER RELATED PARTIES IN CONNECTION WITH THE FOREGOING FOR ANY REDRESS OR RELIEF. THIS RELEASE SHALL BE GIVEN FULL FORCE AND EFFECT ACCORDING TO EACH OF ITS EXPRESSED TERMS AND PROVISIONS, INCLUDING, WITHOUT LIMITATION, THOSE RELATING TO UNKNOWN AND UNSUSPECTED CLAIMS, DAMAGES AND CAUSES OF ACTION. THIS RELEASE SHALL NOT BE APPLICABLE TO ANY CLAIMS ARISING OUT OF (A) THE EXPRESS COVENANTS, REPRESENTATIONS, OR WARRANTIES SET FORTH IN THIS AGREEMENT THAT SHALL EXPRESSLY SURVIVE THE CLOSING, OR (B) SELLER'S FRAUD IN CONNECTION WITH THE TRANSACTION.

AS PART OF THE PROVISIONS OF THIS PARAGRAPH, BUT NOT AS A LIMITATION THEREON, PURCHASER HEREBY AGREES, REPRESENTS AND WARRANTS THAT THE MATTERS RELEASED HEREIN ARE NOT LIMITED TO MATTERS WHICH ARE KNOWN OR DISCLOSED, AND PURCHASER HEREBY WAIVES ANY AND ALL RIGHTS AND BENEFITS WHICH IT NOW HAS, OR IN THE FUTURE MAY HAVE CONFERRED UPON IT, BY VIRTUE OF THE PROVISIONS OF FEDERAL, STATE OR LOCAL LAW, RULES OR REGULATIONS, INCLUDING, WITHOUT LIMITATION SECTION 1542 OF THE CIVIL CODE OF THE STATE OF CALIFORNIA, WHICH PROVIDES AS FOLLOWS:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

IN THIS CONNECTION AND TO THE FULLEST EXTENT PERMITTED BY LAW, PURCHASER HEREBY AGREES, REPRESENTS AND WARRANTS THAT PURCHASER REALIZES AND ACKNOWLEDGES THAT FACTUAL MATTERS NOW UNKNOWN TO PURCHASER MAY HAVE GIVEN OR MAY HEREAFTER GIVE RISE TO CAUSES OF ACTION, CLAIMS, DEMANDS, DEBTS, CONTROVERSIES, DAMAGES, COSTS, LOSSES AND EXPENSES WHICH ARE PRESENTLY UNKNOWN, UNANTICIPATED AND UNSUSPECTED, AND PURCHASER FURTHER AGREES, REPRESENTS AND WARRANTS THAT THE WAIVERS AND RELEASES HEREIN HAVE BEEN NEGOTIATED AND AGREED UPON IN LIGHT OF THAT REALIZATION AND THAT





IN SECTION 9.1 OR LIMIT SELLER'S RIGHTS UNDER THE PROVISIONS OF SECTION 4.2.2(F) OF THIS AGREEMENT. IN CONNECTION WITH THE FOREGOING, PURCHASER EXPRESSLY AGREES THAT THE PROVISIONS OF THIS SECTION 9.2 ARE REASONABLE UNDER THE CIRCUMSTANCES AND THE PARTIES RECOGNIZE THAT SELLER WILL INCUR EXPENSE IN CONNECTION WITH THE TRANSACTION AND THAT THE PROPERTY WILL BE REMOVED FROM THE MARKET; FURTHER, THAT IT IS EXTREMELY DIFFICULT AND IMPRACTICABLE TO ASCERTAIN THE EXTENT OF DETRIMENT TO SELLER CAUSED BY THE BREACH OR DEFAULT BY PURCHASER UNDER THIS AGREEMENT AND THE FAILURE OF THE CONSUMMATION OF THE TRANSACTION OR THE AMOUNT OF COMPENSATION SELLER SHOULD RECEIVE AS A RESULT OF PURCHASER'S BREACH OR DEFAULT.

IN PLACING THEIR INITIALS AT THE PLACES PROVIDED, EACH PARTY SPECIFICALLY CONFIRMS THE ACCURACY OF THE STATEMENTS MADE ABOVE AND THE FACT THAT EACH PARTY WAS REPRESENTED BY COUNSEL WHO EXPLAINED THE CONSEQUENCES OF THIS LIQUIDATED DAMAGES PROVISION AT THE TIME THIS AGREEMENT WAS MADE. THE PAYMENT OF SUCH AMOUNT AS LIQUIDATED DAMAGES IS NOT INTENDED AS A FORFEITURE OR PENALTY WITHIN THE MEANING OF CALIFORNIA CIVIL CODE SECTIONS 3275 OR 3369, BUT IS INTENDED TO CONSTITUTE LIQUIDATED DAMAGES TO SELLER PURSUANT TO CALIFORNIA CIVIL CODE SECTIONS 1671, 1676 AND 1677. UPON BREACH OR DEFAULT BY PURCHASER, THIS AGREEMENT SHALL BE TERMINATED AND NEITHER PARTY SHALL HAVE ANY FURTHER RIGHTS OR OBLIGATIONS HEREUNDER, EACH TO THE OTHER, EXCEPT FOR THE RIGHT OF SELLER TO COLLECT SUCH LIQUIDATED DAMAGES FROM PURCHASER. FURTHERMORE, EXCEPT FOR PURCHASER'S RIGHT TO SPECIFICALLY ENFORCE THIS AGREEMENT PURSUANT TO SECTION 9.1, PURCHASER SHALL HAVE NO RIGHT TO SEEK DECLARATORY AND/OR INJUNCTIVE RELIEF AND/OR EQUITABLE RELIEF, OR TO RECORD A NOTICE OF THIS AGREEMENT OR ANY RIGHTS PURCHASER MAY HAVE HEREUNDER, OR TO RECORD OR FILE A NOTICE OF PENDENCY OF ANY ACTION OR PROCEEDINGS TO ENFORCE THIS AGREEMENT.

PURCHASER'S INITIALS: \_\_\_\_\_ SELLER'S INITIALS: \_\_\_\_\_

9.3

fee or commissions in connection with the sale contemplated by this Agreement, then Seller shall indemnify, defend and hold harmless Purchaser from the same if it shall be based upon any statement or agreement alleged to have been made by Seller, and Purchaser shall indemnify, defend and hold harmless Seller from the same if it shall be based upon any statement or agreement alleged to have been made by Purchaser.

11.1.2 If and only if the Transaction closes, Seller has agreed to pay a brokerage commission to Newmark Grubb Knight Frank (“**Broker**”) pursuant to a separate written agreement





delivered in person or by overnight delivery contemporaneously therewith), (b) by overnight delivery with any reputable overnight courier service, or (c) by deposit in any post office or mail depository regularly maintained by the United States Postal Office and sent by registered or certified mail, postage paid, return receipt requested, and shall be effective upon receipt (whether refused or accepted) and, in each case, addressed as follows:

To Seller: Spanish Broadcasting System Inc.  
7007 NW 77th Avenue  
Miami, FL 33166  
Attention: Rich Lara  
Telephone: (305) 441-6901  
Email: rlara@sbscorporate.com

With a Copy To: Stroock & Stroock & Lavan LLP  
200 S. Biscayne Boulevard, Suite 3100  
Miami, FL 33131  
Attention: James Sammataro, Esq.  
Telephone: (305) 789-9388  
Email: jsammataro@stroock.com

To Purchaser: Harbor Associates, LLC  
200 Pine Avenue, Suite 630  
Long Beach, CA 90802  
Attention: Paul Miskowicz  
Telephone: (562) 436-4222  
Email: paul@harborassociates.com

With a Copy To: Sklar Kirsh LLP  
1880 Century Park East, Suite 300  
Los Angeles, CA 90067  
Attention: Andrew Kirsh, Esq.  
Telephone: (310) 845-6416  
Email: akirsh@sklarkirsh.com

To Escrowee: Chicago Title Insurance Company  
711 Third Avenue – 5th Floor  
New York, NY 10017  
Attention: Vincent R. De Fina  
Telephone: (212) 880-1271  
Email: VinDeFina@ctt.com

11.10 Third Parties. Nothing in this Agreement, whether expressed or implied, is intended to confer any rights or remedies under or by reason of this Agreement upon any other Person other than the parties hereto and their respective permitted successors and assigns, nor is anything in this Agreement intended to relieve or discharge the obligation dis0 0 -1 -33re45(or )-145(di75ion )-1or rs5Agreement

11.11 Legal Costs. The parties hereto agree that they shall pay directly any and all legal costs which they have incurred on their own behalf in the preparation of this Agreement, all deeds and other agreements pertaining to the Transaction, and that such legal costs shall not be part of the closing costs.

11.12 Counterparts. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which shall constitute one and the same document. Executed copies hereof may be delivered by facsimile or by email in a PDF attachment, and upon receipt, shall be deemed originals and binding upon the parties hereto. Without limiting or otherwise affecting the validity of executed copies hereof that have been delivered by facsimile or by email in a PDF attachment, the parties shall use diligent efforts to deliver originals as promptly as possible after execution.

11.13 Effectiveness. In no event shall any draft of this Agreement create any obligation or liability, it being understood that this Agreement shall be effective and binding only when a counterpart hereof has been executed and delivered by each party hereto. Seller shall have the right to discontinue negotiations and withdraw any draft of this Agreement at any time prior to the full execution and delivery of this Agreement by each party hereto. Purchaser assumes the risk of all costs and expenses incurred by Purchaser in any negotiations or due diligence investigations undertaken by Purchaser with respect to the Property.

11.14 No Implied Waivers. No failure or delay of either party in the exercise of any right or remedy given to such party hereunder or the waiver by any party of any condition hereunder for its benefit (unless the time specified in this Agreement for exercise of such right or remedy has expired) shall constitute a waiver of any other or further right or remedy nor shall any single or partial exercise of any right or remedy preclude other or further exercise thereof or any other right or remedy. No waiver by either party of any breach hereunder or failure or refusal by the other party to comply with its obligations shall be deemed a waiver of any other or subsequent breach, failure or refusal to so comply.

11.15 Discharge of Seller's Obligations. Except as otherwise expressly provided in this Agreement, Purchaser's acceptance of the Deed shall be deemed a discharge of all of the obligations of Seller hereunder and all of Seller's representations, warranties, covenants and agreements in this Agreement shall merge in the documents and agreements executed at the Closing and shall not survive the Closing, except and to the extent that, pursuant to the express provisions of this Agreement, any of such representations, warranties, covenants or agreements are to survive the Closing.

11.16 No Recordation. Neither this Agreement nor any memorandum thereof shall be recorded and any attempted recordation hereof shall be void and shall constitute a default hereunder.

11.17 Unenforceability. If all or any portion of any provision of this Agreement shall be held to be invalid, illegal or unenforceable in any respect, then such invalidity, illegality or unenforceability shall not affect any other provision hereof, and such provision shall be limited and construed as if such invalid, illegal or unenforceable provision or portion thereof were not contained herein unless doing so would materially and adversely affect a party or the benefits that such party is entitled to receive under this Agreement.

**11.18 Waiver of Trial by Jury. TO THE FULLEST EXTENT PERMITTED BY LAW, SELLER AND PURCHASER HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM (WHETHER ARISING IN TORT OR CONTRACT) BROUGHT BY EITHER AGAINST THE OTHER ON ANY MATTER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS AGREEMENT.**

11.19 Disclosure. Notwithstanding any terms or conditions in this Agreement to the contrary, any Person may disclose to any and all Persons, without limitation of any kind, the tax treatment and structure of the Transaction and all materials of any kind (including, without limitation, opinions or other tax analyses) that are provided relating to such tax treatment and tax structure. For the avoidance of doubt, this authorization is not intended to permit disclosure of the names of, or other identifying information regarding, the participants in the Transaction, or of any information or the portion of any materials not relevant to the tax treatment or structure of the Transaction.

11.20 Designation of Reporting Person. In order to assure compliance with the requirements of Section 6045 of the Code and any related reporting requirements of the Code, the parties hereto agree as follows:

11.20.1 The Title Company (for purposes of this Section, the “**Reporting Person**”

conduct, withdraw and/or settle appeals, and Purchaser hereby consents to such actions as Seller may take therein. Any refund or the savings or refund for any year or years prior to the tax year in which the Closing herein occurs shall belong solely to Seller. Any tax savings or refund for the tax year in which the Closing occurs shall be prorated between Seller and Purchaser after deduction of attorneys' fees and other expenses related to the proceeding and all sums payable to tenants under the Leases. Purchaser and Seller agree that all sums payable to tenants under the Leases on account of such tax savings or refund shall be promptly paid to such tenants following receipt of such tax savings or refund. Purchaser shall execute all consents, receipts, instruments and documents which may reasonably be requested in order to facilitate settling such proceeding and collecting the amount of any refund or tax savings. Purchaser shall assume the retainer of the attorney, if any, representing Seller in any tax proceeding pending for the tax year in which the Closing occurs and the subsequent tax year, if applicable.

11.22 Press Releases. Any press release or other public disclosure regarding this Agreement or the Transaction shall not be made without Seller's prior reasonable written consent.

11.23 California Required Natural Hazard Disclosure. Seller has commissioned Title Company to prepare the natural hazard disclosure statement in the form required by California Civil Code Section 1103. Purchaser acknowledges that the Transaction is not subject to that Civil Code Section, but that nevertheless the form promulgated therein serves to satisfy other statutory disclosure requirements of the Government Code and Public Resources Code. Seller does not warrant or represent either the accuracy or completeness of the information on that form, and Purchaser shall use same merely as a guideline in its overall investigation of the Property.

11.24 Post-Closing Lease.

11.24.1 Seller and Purchaser shall endeavor to agree, prior to the expiration of the Due Diligence Period, upon the form of a lease pursuant to which Seller or an affiliate thereof shall lease the Property from Purchaser following the Closing Date (the "**Post-Closing Lease**"), upon the following terms:

(a) a lease term of one (1) year from the Closing, provided that the tenant thereunder may terminate the Post-Closing Lease in its sole discretion at any time prior thereto upon thirty (30) day notice;

(b) monthly base rent of Seventy Thousand Dollars (\$70,000) during the term of the Post-Closing Lease;

(c) during the term of the Post-Closing Lease, the tenant thereunder shall be responsible for all routine operating expenses and day-to-day maintenance expenses payable with respect to the property demised thereunder, provided, however, in no event shall Seller be obligated to pay for any capital expenditures, expenses or improvements of any kind made to or on the Property following the Closing; and

(d) during the term of the Post-Closing Lease, the tenant thereunder shall on a monthly basis reimburse Purchaser for (i) the insurance premiums paid by Purchaser in order to maintain the insurance required under the Post-Closing Lease in an amount not to exceed Eight Thousand Dollars (\$8,000) per month, and (ii) real estate taxes assessed against the

property demised thereunder with respect to the term of the Post-Closing Lease in an amount not to exceed Four Thousand Dollars (\$4,000) per month.

11.24.2 If Purchaser and Seller agree, in each party's sole discretion, upon the form of the Post-Closing Lease prior to the expiration of the Due Diligence Period, the parties shall execute an amendment to this Agreement memorializing the form of the Post-Closing Lease and deleting this Section 11.24 from this Agreement (the "**Post-Closing Lease Amendment**"). Notwithstanding anything to the contrary in this Agreement, Seller or Purchaser shall, in their sole discretion, have the right to terminate this Agreement at any time prior to the execution of the Post-Closing Lease Amendment, for any reason or no reason whatsoever, effective upon delivery of a notice to the other party electing to terminate this Agreement (a "**Post-Closing Lease Termination Notice**"). If (i) either party delivers a Post-Closing Lease Termination Notice prior to the expiration of the Due Diligence Period or (ii) the parties fail to execute the Post-Closing Lease Amendment prior to the expiration of the Due Diligence Period, for any reason whatsoever, TIME BEING OF THE ESSENCE, then, provided that Purchaser shall not be in default under this Agreement, the Deposit shall be promptly returned to Purchaser, and this Agreement and the obligations of the parties hereunder shall terminate (and no party hereto shall have any further obligation under this Agreement except for the Surviving Obligations). Purchaser shall deliver to Seller an initial draft of the Post-Closing Lease no later than two (2) days following the Effective Date.

11.25 Survival. The provisions of this Section 11 shall survive the Closing or a termination of this Agreement.

**[Remainder of Page Intentionally Left Blank]**

IN WITNESS WHEREOF, the parties hereto have duly executed this Agreement as of the date first above written.

**SELLER:**

**SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation

By: \_\_\_\_\_  
Name:  
Title:

**PURCHASER:**

**HARBOR ASSOCIATES, LLC**, a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title:

**JOINDER AS TO SECTION 11.20 ONLY:**

**CHICAGO TITLE INSURANCE COMPANY**

By: \_\_\_\_\_  
Name  
Title



**EXHIBIT A**

**(LAND)**

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 AND 2 IN BLOCK 2 OF TRACT NO. 7260, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 78 PAGES 64 AND 65 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4315-014-059

**EXHIBIT B**

**(ADDITIONAL EXCEPTIONS TO TITLE)**

1. An easement and rights incidental thereto as set forth in a Deed recorded in book 4651 page 356 of Official Records.
2. An easement and rights incidental thereto as set forth in a Deed recorded in book 4680 page 41 of Official Records.
3. A Subsurface Community Oil and Gas Lease as set forth in a document recorded May 21, 1959 as Instrument No. 2814, of Official Records.
4. A Covenant and Agreement to Hold Property as One Parcel recorded March 11, 1980 as Instrument No. 80-247646, of Official Records.
5. A Waiver of Damages, Indemnification Agreement and Right of Ingress and Egress-Covenant to Run with the Land recorded May 6, 1980 as Instrument No. 80-456650, of Official Records.
6. An Indemnification Agreement recorded May 8, 1980 as Instrument No. 80-467105, of Official Records.
7. A Covenant and Agreement to Provide Parking Attendant recorded May 8, 1980 as Instrument No. 80-467106, of Official Records.
8. An Irrevocable Offer to Dedicate recorded May 9, 1980 as Instrument No. 80-471519, of Official Records and a Resolution recorded May 5, 1982 as Instrument No. 82-465422, of Official Records.
9. A Warranty, Indemnification and Hold-Harmless Agreement recorded November 1, 1994 as Instrument No. 94-1974124, of Official Records.
10. A Memorandum of Lease recorded March 18, 1997 as Instrument No. 97-402471, of Official Records.
11. The Post-Closing Lease.



**EXHIBIT D**

**(DEED)**

RECORDING REQUESTED BY AND  
WHEN RECORDED MAIL TO:

---

---

MAIL TAX STATEMENTS TO:

(Above Space For Recorder's Use Only)

The undersigned Grantor declares:

Documentary transfer tax is

\$ CITY TAX

\$

DATED effective as of: May \_\_\_\_, 2017.

SPANISH BROADCASTING SYSTEM, INC.,  
a New Jersey corporation

By: \_\_\_\_\_  
Name:  
Title:

A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached, and not the truthfulness, accuracy, or validity of that document.

State of \_\_\_\_\_ )  
County of \_\_\_\_\_ )

On May \_\_\_\_, 2017, before me, \_\_\_\_\_, a Notary Public, personally appeared \_\_\_\_\_, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of \_\_\_\_\_ that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.

Signature \_\_\_\_\_

**EXHIBIT A**

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 AND 2 IN BLOCK 2 OF TRACT NO. 7260, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 78 PAGES 64 AND 65 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4315-014-059

## EXHIBIT E

### ASSIGNMENT AND ASSUMPTION OF LEASES AND CONTRACTS

THIS ASSIGNMENT AND ASSUMPTION OF LEASES AND CONTRACTS (this “**Assignment**”) is executed as of the \_\_\_\_ day of May, 2017 by and between **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation (“**Assignor**”), having an address c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166 and **HARBOR ASSOCIATES, LLC**, a Delaware limited liability company, (“**Assignee**”), having an address having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802. All capitalized terms used but not defined herein shall have the respective meanings ascribed to such terms in that certain Contract of Purchase and Sale dated as of May \_\_, 2017, between Assignor and Assignee.

WHEREAS, Assignee is this day purchasing from Assignor and Assignor is conveying to Assignee the Property;

WHEREAS, the Property is encumbered by those certain tenants (the “**Tenants**”) occupying space under the leases listed and described on Exhibit A annexed hereto (collectively, the “**Leases**”);

WHEREAS, in connection with its ownership and management of the Property, Assignor has entered into those certain maintenance, service and supply contracts, and equipment leases listed and described on Exhibit B annexed hereto (collectively, the “**Contracts**”); and

WHEREAS, Assignor desires to transfer and assign to Assignee, and Assignee desires to assume as provided herein, all of Assignor’s right, title and interest in and to the Leases and the Contracts.

NOW, THEREFORE, in consideration of Ten Dollars (\$10.00) and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Assignor hereby transfers and assigns to Assignee all right, title and interest of Assignor in and to the Leases and the Contracts.

2. Assignee hereby affirmatively and unconditionally assumes (i) all of Assignor’s obligations and liabilities under the Leases and the Contracts arising from and after the date hereof, and (ii) all Purchaser Leasing Costs.

3. This Assignment shall constitute a direction and full authority to any person or entity that is a party to any of the Contracts to perform its obligation under the Contracts for the benefit of Assignee without further proof to any such party of the assignment to Assignee of the Contracts.

4. This Assignment is made without warranty, representation, or guaranty by, or recourse against Assignor of any kind whatsoever. Assignee shall be liable for and Assignee hereby indemnifies and holds harmless Assignor and any agent, advisor, representative, affiliate, employee, director, partner, member, beneficiary, investor, servant, shareholder, trustee or other person or entity acting on Assignor’s behalf or otherwise related to or affiliated with Assignor (collectively, “**Assignor Related Parties**”) against all claims, losses, damages, liabilities, costs, expenses (including reasonable attorneys’ fees and disbursements) and charges Assignor or any of the









**EXHIBIT B**

(List of Maintenance, Service and Supply Contracts,  
and Equipment Leases)

1. Platinum Maintenance Agreement by and between Thyssenkrupp Elevator Corporation and Seller.



IN WITNESS WHEREOF, Assignor has caused this Assignment to be duly executed as of the day and year first written above.

**ASSIGNOR:**

**SPANISH BROADCASTING SYSTEM, INC.**, New  
Jersey corporation

**EXHIBIT G**

**CERTIFICATION OF NON-FOREIGN STATUS UNDER  
TREASURY REGULATIONS SECTION 1.1445-2(B)**

**(NON-DISREGARDED ENTITY GRANTOR/TRANSFEROR)**

Section 1445 of the Internal Revenue Code provides that a transferee of a U.S. real property interest must withhold tax if the transferor is a foreign person. For U.S. tax purposes (including Section 1445), the owner of a disregarded entity (which has legal title to a U.S. real property interest under local law) will be the transferor of the property and not the disregarded entity. To inform the transferee that withholding of tax is not required upon the disposition of a U.S. real property interest by Spanish Broadcasting System, Inc., a New Jersey corporation (“**Seller**”), the undersigned hereby certifies the following on behalf of Seller:

1. Seller is not a foreign corporation, foreign partnership, foreign trust, or foreign estate (as those terms are defined in the Internal Revenue Code and Income Tax Regulations);
2. Seller is not a disregarded entity as defined in § 1.1445-2(b)(2)(iii);
3. Seller’s U.S. employer identification number is \_\_\_\_\_; and
4. Seller’s office address is c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166.

Seller understands that this certification may be disclosed to the Internal Revenue Service by transferee and that any false statement contained herein could be punished by fine, imprisonment, or both.

Under penalties of perjury I declare that I have examined this certification and to the best of my knowledge and belief it is true, correct, and complete, and I further declare that I have authority to sign this document on behalf of Seller.

**EXHIBIT H**

**(FORM OF TENANT NOTICE)**

**SPANISH BROADCASTING SYSTEM, INC.**

7007 NW 77th Avenue

Miami, FL 33166

May \_\_, 2017



In addition, all security deposits held by Landlord, if any, together with any interest earned thereon, have been transferred to Purchaser.

Very truly yours,

**SPANISH BROADCASTING SYSTEM, INC.,**  
a New Jersey corporation

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT I**

**(FORM OF VENDOR NOTICE)**

**SPANISH BROADCASTING SYSTEM, INC.**

7007 NW 77th Avenue

Miami, FL 33166

May \_\_, 2017

**By Certified Mail -**  
**Return Receipt Requested**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Re: Sale of 10281 Pico Boulevard, Los Angeles, California 90064 (the “**Property**”)

Dear Vendor:

This is to notify you th(Or)-121(26 TE9J [(Prope26 TE9Jhleva1(os)-6 TE9Jbeifien-6 TE9J1(os)ongeld(is )-1

Thanks you for your consideration in this matter.

Very truly yours,

**SPANISH BROADCASTING SYSTEM, INC.,**  
a New Jersey corporation

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT J**

**OWNER'S TITLE CERTIFICATE**

The undersigned hereby certifies to the Title Company (as hereinafter defined), to the best of its knowledge, as follows:

1. \_\_\_\_\_ (“**Representative**”), in his/her capacity as \_\_\_\_\_ of **SPANISH BROADCASTING SYSTEM, INC.**, a New Jersey corporation (“**Owner**”), is authorized to make this Certificate for and on behalf of Owner and makes this Certificate solely in such capacity (and not personally).

2. Owner is the owner of the following described real property (the “**Property**”):

**See Exhibit A attached hereto.**

3. Owner is the only party in possession of the Property and no other party has possession, or has a right of possession under any tenancy, lease or other agreement, written or oral, other than the tenants listed on **Exhibit B** attached hereto.

4. Between the most recent effective date of that certain Commitment No. \_\_\_\_\_ (the “**Title Commitment**”), underwritten by Chicago Title Insurance Company (the “**Title Company**”) and the date of recording of the documents creating the interest being insured under said title commitment but in no event later than five (5) business days from the date hereof, Owner has not taken and will not take any action to encumber or otherwise adversely affect title to the Property.

5. Other than those made in the ordinary course of Owner’s operation and maintenance of the Property and except as set forth on **Exhibit C**, no additions, alterations or improvements contracted for by Owner or for which Owner is expressly obligated to pay or reimburse tenant(s) under its lease(s) with such tenant(s) are now in progress or have been made to the Property within the past ninety (90) days that have not been paid for by Owner.

6. No proceeding in bankruptcy has been instituted against Owner within the last 10 years, nor has Owner ever made a general assignment for the benefit of creditors.

To the extent the Title Company shall have knowledge as of the date hereof that any of the statements contained herein is false or inaccurate then the undersigned shall have no liability with respect to that statement. Without limitation of the foregoing, the Title Company shall be deemed to have knowledge of any matters of record in the official records of Los Angeles County, California.

This Certificate is being delivered solely for the purpose of inducing Title Company to issue its title insurance policy insuring title to the Property, and Owner avers the foregoing statements are true and correct to the best of its knowledge and belief. No third party shall have any right to rely upon or be a third party beneficiary with respect to the subject matter of this Certificate. As used herein, the words “to the best of its knowledge” or words of similar import, shall mean the present actual knowledge, without taking into account any constructive or imputed knowledge, of Representative. Notwithstanding anything to the contrary contained herein, Representative shall not

have any personal liability in connection with this Certificate or any of the representations, warranties or certifications made herein.

Dated as of May \_\_, 2017.

[SIGNATURE ON FOLLOWING PAGE]

**SPANISH BROADCASTING SYSTEM, INC.,**  
a New Jersey corporation

By: \_\_\_\_\_  
Name:  
Title:

**EXHIBIT A**

(Property Description)

THE LAND REFERRED TO HEREIN IS SITUATED IN THE CITY OF LOS ANGELES, IN THE COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

LOTS 1 AND 2 IN BLOCK 2 OF TRACT NO. 7260, IN THE CITY OF LOS ANGELES, COUNTY OF LOS ANGELES, STATE OF CALIFORNIA, AS PER MAP RECORDED IN BOOK 78 PAGES 64 AND 65 OF MAPS, IN THE OFFICE OF THE COUNTY RECORDER OF SAID COUNTY.

APN: 4315-014-059

**EXHIBIT B**

(Tenants)

1. Pacific Bell Mobile Services
2. Nextel of California, Inc.



**EXHIBIT C**

(Unpaid Work)



**EXHIBIT L**

**(MAINTENANCE, SERVICE AND SUPPLY CONTRACTS,  
AND EQUIPMENT LEASES)**

1. Platinum Maintenance Agreement by and between Thyssenkrupp Elevator Corporation and Seller.

**EXHIBIT M**

**ESCROW AGREEMENT**

THIS ESCROW AGREEMENT (this “**Agreement**”), dated as of the \_\_\_ day of May, 2017, is among **CHICAGO TITLE INSURANCE COMPANY**, having an address at 711 Third Avenue, 5th Floor, New York, NY 10017 (“**Escrowee**”), **SPANISH BROADCASTING SYSTEM, INC.**, having an address at c/o Spanish Broadcasting System, Inc., 7007 NW 77th Avenue, Miami, FL 33166 (“**Seller**”), and **HARBOR ASSOCIATES, LLC**, having an address at 200 Pine Avenue, Suite 630, Long Beach, CA 90802 (“**Purchaser**”).

**WITNESSETH**

WHEREAS, Seller and Purchaser entered into that certain Contract of Purchase and Sale dated as of the date hereof, for the purchase and sale of the property located at 10281 Pico Boulevard, Los Angeles, California 90064 (the “**Property**”), as more particularly described therein (hereinafter referred to as the “**Contract**”);

WHEREAS, the Contract provides for the terms and conditions applicable to the sale and purchase of the Property and the performance obligations and rights of Seller and Purchaser; and

WHEREAS, Seller and Purchaser agree, pursuant to the Contract, that Escrowee shall hold, in escrow the Deposit in accordance with the terms and conditions of the Contract and this Agreement. All capitalized terms used but not defined herein shall have the meaning set forth in the Contract.

NOW, THEREFORE, the parties hereto agree as follows:

1. Appointment of Agent.

1.1 Purchaser and Seller hereby appoint Escrowee to act as their escrow agent on the terms and conditions hereinafter set forth, and Escrowee accepts such appointment.

1.2



3.7 In the event that a dispute shall arise in connection with this Agreement or the Contract, or as to the rights of Seller and Purchaser in and to, or the disposition of, the Deposit, Escrowee shall have the right to (w) hold and retain all or any part of the Deposit until such dispute is settled or finally determined by litigation, arbitration or otherwise, or (x) deposit the Deposit in an appropriate court of law, following which Escrowee shall thereby and thereafter be relieved and released from any liability or obligation under this Agreement, or (y) institute an action in interpleader or other similar action permitted by stakeholders in the State of California, or (z) interplead Seller or Purchaser in any action or proceeding which may be brought to determine the rights of Seller and Purchaser to all or any part of the Deposit; and

3.8 Escrowee shall not have any liability or obligation for loss of all or any portion of the Deposit by reason of the insolvency or failure of the institution of depository with whom the escrow account is maintained.

4. Termination.

This Agreement shall automatically terminate upon the delivery or disbursement by Escrowee of the Deposit in accordance with the terms of the Contract and terms of this Agreement, as applicable.

5. Notices.

All notices, requests or other communications which may be or are required to be given, served or sent by either party hereto to the other shall be deemed to have been properly given if in writing and (a) delivered in person or by e-mail in a PDF attachment (with a confirmation copy delivered in person or by overnight delivery contemporaneously therewith), (b) by overnight delivery with any reputable overnight courier service, or (c) by deposit in any post office or mail depository

With a copy to: Sklar Kirsh LLP  
1880 Century Park East, Suite 300  
Los Angeles, CA 90067  
Attention: Andrew Kirsh, Esq.  
Telephone: (310) 845-6416  
Email: akirsh@sklarkirsh.com

To Escrowee: Chicago Title Insurance Company  
711 Third Avenue – 5th Floor  
New York, NY 10017  
Attention: Vincent R. De Fina  
Telephone: (212) 880-1271  
Email: VinDeFina@ctt.com

6. Governing Law/Waiver of Trial by Jury.

THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA

11. Severability.

If any provision of the Agreement or the application of any such provision to any person or circumstance shall be held invalid, illegal, or unenforceable in any respect by a court of competent jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision hereof. Each provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.

**[Remainder of Page Intentionally Left Blank]**



IN WITNESS WHEREOF, the parties have executed and delivered this Escrow Agreement as of the date and year first above written.

**CHICAGO TITLE INSURANCE COMPANY**

By: \_\_\_\_\_  
Name:  
Title:

**SPANISH BROADCASTING SYSTEM INC.,** a New Jersey corporation

By: \_\_\_\_\_  
Name:  
Title:

**HARBOR ASSOCIATES, LLC,** a Delaware limited liability company

By: \_\_\_\_\_  
Name:  
Title:

## **EXHIBIT N-1**

### **(EXCLUDED PERSONAL PROPERTY)**

- All signage and logos located on the exterior of the Real Property;
- Any satellite dish located in, on or otherwise affixed to the Real Property; and
- All radio, internet and television systems and equipment located in, on or otherwise affixed to the Real Property.

Including, without, limitation, the following:

#### **Penthouse Roof**

- 3) Belar AM direction loop receive antennae.
  - 1) 6-foot open-grid microwave dish antenna.
  - 1) 4-foot open-grid microwave dish antenna.
  - 2) High-gain directional FM receive antennae.

#### **Penthouse**

- 1) 1/3 height, equipment rack, wall-mounted. Contains Microwave Tx, EAS rec'rs. GPS clock.

#### **Fourth Floor**

Master Control Room:

- 10) 7-foot (19" wide) equipment racks. Attached cable ladder on rear. All equipment mounted within.
  - 1) Custom solid-state relay cabinet, wall-mounted.

KLAX-1 Studio:

- 1) 7-foot (19" wide) equipment rack.
  - 1) Integrated equipment cabinet system with audio mixing console.
  - 4) 3-foot (19" wide) under-counter racks. Misc. broadcast equipment.
  - 1) 28-inch (19" wide) above-counter rack. Misc. broadcast equipment.
  - 4) Truss-mounted HD robotic television cameras.
  - 8) Various length, truss-mounted TV lighting fixtures.

KLAX-2 Studio:

- 1) Integrated equipment cabinet system with audio mixing console.
  - 3) 3-foot (19" wide) under-counter racks. Misc. broadcast equipment.
  - 2) 28-inch (19" wide) above-counter racks. Misc. broadcast equipment.

#### KXOL-1 Studio:

- 1) Integrated equipment cabinet system with audio mixing console.
- 2) 3-foot (19" wide) under-counter racks. Misc. broadcast equipment.
- 1) 28-inch (19" wide) above-counter rack. Misc. broadcast equipment.
- 2) Ceiling suspended studio monitor loudspeakers.

#### KXOL-2 Studio:

- 1) Integrated equipment cabinet system with audio mixing console.
- 3) 3-foot (19" wide) under-counter racks. Misc. broadcast equipment.
- 1) 28-inch (19" wide) above-counter racks. Misc. broadcast equipment.

#### MEGA-TV Control:

- 2) 6-foot (19" wide) equipment racks. Misc. broadcast equipment.
- 1) Truss-mounted HD robotic television cameras.
- 4) Various length, truss-mounted TV lighting fixtures.
- 1) 8 x 10' green screen and backdrop hangers.

#### PHONE PBX Room:

- 1) 7-foot (19" wide) open-frame equipment rack. Contains 3 Mitel SX-200 PBX units.
- 1) 4-foot wall-mounted cable ladder.
- 2) Wall-mounted Music On Hold modules.

#### Third Floor

##### File Server Room:

- 1) 7-foot (19" wide) open-frame equipment rack. File servers, routers, switches.
- 1) 4-foot wall-mounted cable ladder.

#### Second Floor

##### File Server Room:

- 1) 7-foot (19" wide) equipment rack. File servers, routers, switches.

**EXHIBIT N-2**

**(EXCLUDED INTANGIBLE PROPERTY)**

[To be attached by Seller prior to the expiration of the Due Diligence Period]



**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

**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 June 30, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Raúl Alarcón, Chairman of the Board of Directors, President and Chief Executive Officer of the Company, certify, as of the dates hereof, 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 at the dates and for the periods indicated.

/s/ RAÚL ALARCÓN

\_\_\_\_\_  
Name: Raúl Alarcón

Title: Chairman of the Board of Directors,  
President and Chief Executive Officer

Date: August 14, 2017

**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 June 30, 2017, 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, as of the dates hereof, 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 at the dates and for the periods indicated.

/s/ JOSEPH A. GARCÍA

\_\_\_\_\_  
Name: Joseph A. García

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

Date: August 14, 2017