ZINGALE LAWRENCE
Form 4
March 19, 2012

FORM 4

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

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

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL
OMB Number: 3235-0287
Expires: January 31, 2005
Estimated average burden hours per response... 0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
ZINGALE LAWRENCE

(Last) (First) (Middle)

400 NORTH ASHLEY DRIVE, SUITE 2800

(Street)

TAMPA, FL 33602

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
SYKES ENTERPRISES INC [SYKE]

3. Date of Earliest Transaction (Month/Day/Year)
03/16/2012

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
Executive Vice President

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock								25,675	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.

SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)	
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares
Restricted Stock	$ 15.33	03/16/2012		A		17,636		(1)	(1)	Common Stock	17,636
Restricted Stock	$ 15.33	03/16/2012		F			6,429	(1)	(1)	Common Stock	6,429
Phantom Stock	$ 19.77							(2)	(3)	Common Stock	2,710

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
ZINGALE LAWRENCE 400 NORTH ASHLEY DRIVE SUITE 2800 TAMPA, FL 33602			Executive Vice President	

Signatures

/s/ James T. Holder as attorney-in-fact for Lawrence Zingale	03/19/2012
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The Restricted Stock was granted to reporting person pursuant to the Issuer's 2001 Equity Incentive Plan and vesting is subject to previously established specific performance criteria.

(2) The shares of Phantom Stock become payable, pursuant to the terms and conditions set forth in the Issuer's 1998 Deferred Compensation Plan, as amended.

(3) The shares of Phantom Stock become payable, pursuant to the terms and conditions set forth in the Issuer's 1998 Deferred Compensation Plan, as amended.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. es;">70,565

Repayments of long-term debt

(8,278) (2,250) (21,941)

Financing fees

(756)

Proceeds from issuance of stock

5,407

Repurchase of warrants

(976) (1,778)

Exercise of warrants

420 60 1

Purchase of treasury stock

(31,925) (1,183) (1,023)

Exercise of stock options

155 157

Excess tax benefits

210 272 120

Net cash (used in) provided by financing activities

(40,394) 685 46,966

Net (decrease) increase in cash

(16,442) 37,522 (34,612)

Cash:

Beginning

$179,532 142,010 176,622

Ending

$163,090 $179,532 $142,010

Supplemental Disclosures of Cash Flow Information:

Cash payments for:

Interest

$10,911 $11,305 $11,171

Income taxes

$15,023	$5,812	$4,438

See accompanying notes to consolidated financial statements.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements

Note 1. Nature of Business and Significant Accounting Policies

Nature of business: The accompanying Consolidated Financial Statements include the accounts of Hemisphere Media Group, Inc. ("Hemisphere" or the "Company"), the parent holding company of Cine Latino, Inc. ("Cinelatino"), WAPA Holdings, LLC (formerly known as InterMedia Español Holdings, LLC) ("WAPA Holdings"), and HMTV Cable, Inc., the parent company of the entities for the acquired networks consisting of Pasiones, TV Dominicana, and Centroamerica TV (see below). Hemisphere was formed on January 16, 2013 for purposes of effecting the transaction, (see Note 2), which was consummated on April 4, 2013. In these notes, the terms "Company," "we," "us" or "our" mean Hemisphere and all subsidiaries included in our Consolidated Financial Statements.

On April 1, 2014, we acquired the assets of three Spanish-language cable television networks from Media World, LLC, a Florida limited liability company ("Seller"), for $101.9 million in cash. The three acquired cable networks include Pasiones, Centroamerica TV and TV Dominicana.

On November 3, 2016, we acquired a minority interest in a newly formed joint venture with Lionsgate to launch a Spanish-language over-the-top (OTT) movie service (The "OTT JV"). The service plans to launch in the fiscal year ending December 31, 2017. The OTT JV had no activity from operations in the year ending December 31, 2016 and the Company did not make any capital contributions to the OTT JV in the fiscal year ending December 31, 2016.

On November 30, 2016, we, in partnership with Colombian content producers, Radio Television Interamericana S.A., Compania de Medios de Informacion S.A.S and NTC Nacional de Television y Comunicaciones S.A., were awarded a ten (10) year renewable television broadcast concession license for Canal Uno in Colombia (the "Canal Uno JV"). Canal Uno is one of only three national broadcast television licenses in Colombia. The Canal Uno JV is expected to begin operations of the network through a newly formed joint venture vehicle on May 1, 2017. For the year ending December 31, 2016, we accounted for the investment under the equity method. For more information on the OTT JV and Canal Uno JV, see Note 5, "Equity Method Investments" of Notes to Consolidated Financial Statements, included in this Annual Report on Form 10-K.

Reclassification: Certain prior year amounts on the presented consolidated balance sheet have been reclassified to conform with current year presentation. The prior year balance sheet presentation was adjusted to conform with current year adoption of *ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs*, which requires that deferred financing fees be presented in the balance sheet as a direct reduction of Long-term debt. As a result, prior year assets and liabilities both decreased by $2.3 million.

Principles of consolidation: The consolidated financial statements include our accounts and the accounts of our subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of presentation: The accompanying consolidated financial statements for us and our subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Operating segments: The Company determines its operating segments based upon (i) financial information reviewed by the chief operating decision maker, the Chief Executive Officer, (ii) internal management and related reporting structure and (iii) the basis upon which the chief operating decision maker makes resource allocation decisions. We have one operating segment, Hemisphere.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Net earnings per common share: Basic earnings per share ("EPS") are computed by dividing income attributable to common stockholders by the number of weighted-average outstanding shares of common stock. Diluted EPS reflects the effect of the assumed exercise of stock options and vesting of restricted shares only in the periods in which such effect would have been dilutive.

The following table sets forth the computation of the common shares outstanding used in determining basic and diluted EPS (*amounts in thousands, except per share amounts*):

	Years Ended December 31		
	2016	**2015**	**2014**
Numerator for earnings per common share calculation:			
Net income	$ 18,000	$ 13,739	$ 10,557
Denominator for earnings per common share calculation:			
Weighted-average common shares, basic	41,666	42,840	42,321
Effect of dilutive securities			
Stock options, restricted stock and warrants	608	962	301
Weighted-average common shares, diluted	42,274	43,802	42,622
EPS			
Basic	$ 0.43	$ 0.32	$ 0.25
Diluted	$ 0.43	$ 0.31	$ 0.25

We apply the treasury stock method to measure the dilutive effect of its outstanding warrants, stock options and restricted stock awards and include the respective common share equivalents in the denominator of our diluted income per common share calculation. Per the Accounting Standards Codification ("ASC") 260 accounting guidance, under the treasury stock method, the incremental shares (difference between the number of shares assumed issued and the number of shares assumed purchased) shall be included in the denominator of the diluted EPS computation (ASC 260-10-45-23). The assumed exercise only occurs when the warrants are "In the Money" (exercise price is lower than the average market price for the period). If the warrants are "Out of the Money" (exercise price is higher than the average market price for the period), the exercise is not assumed since the result would be anti-dilutive. Potentially dilutive securities representing 1.9 million, 1.0 million and 1.1 million shares of common stock for the years ended December 31, 2016, 2015 and 2014, respectively, were excluded from the computation of diluted income per common share for this period because their effect would have been anti-dilutive. The net income per share amounts are the same for our Class A and Class B common stock because the holders of each class are legally entitled to equal per share distributions whether through dividends or in liquidation.

In computing earnings per share, the Company's Nonvoting Stock is considered a participating security. Each share of Nonvoting Stock has identical rights, powers, limitations and restrictions in all respects as each share of common of the Company, including the right to receive the same consideration per share payable in respect of each share of common stock, except that holders of Nonvoting Stock shall have no voting rights or powers whatsoever.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Revenue recognition: Revenue related to the sale of advertising and contracted time is recognized at the time of broadcast. Retransmission consent fees and subscriber fees received from multi-channel video providers are recognized in the period in which the services are performed, generally pursuant to multi-year carriage agreements based on the number of subscribers.

In May 2014, the FASB issued an accounting pronouncement related to revenue recognition, which applies a single, comprehensive recognition model for all contracts with customers. This standard, as amended, contains principles with respect to the measurement and timing of recognition of revenue. The Company will recognize revenue to reflect the transfer of goods or services to customers at an amount that it expects to be entitled to receive in exchange for those goods or services. The new standard is effective for the annual reporting periods beginning after December 15, 2017. The Company will apply the new revenue standard beginning January 1, 2018.

The Company has identified retransmission consent fees/ subscriber fees and advertising sales as significant and is currently in the process of analyzing each of these revenue streams in accordance with the new guidance to determine the impact on the consolidated financial statements. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). When the Company has completed its evaluation, it will determine the method of transition that will be used in adopting the new standard.

Barter transactions: The Company engages in barter transactions in which advertising time is exchanged for products or services. Barter transactions are accounted for at the estimated fair value of the products or services received, or advertising time given up, whichever is more clearly determinable. Barter revenue is recognized at the time the advertising is broadcast. Barter expense is recorded at the time the merchandise or services are used and/or received.

Barter revenue and expense included in the consolidated statements of operations are as follows (*amounts in thousands*):

	2016	2015	2014
Barter revenue	$ 934	$ 811	$ 1,311
Barter expense	(756)	(791)	(1,075)
	$ 178	$ 20	$ 236

Programming costs: Programming costs are recorded in cost of revenues based on the Company's contractual agreements with various third party programming Distributors which are generally multi-year agreements.

Stock-based compensation: We have given equity incentives to certain employees. We account for such equity incentives in accordance with ASC 718 "Stock Compensation," which requires us to measure compensation cost for equity settled awards at fair value on the date of grant and recognize compensation cost in the consolidated statements of operations over the requisite service or performance period the award is expected to vest. Compensation cost is determined by using either the Monte Carlo simulation model or the Black-Scholes option pricing model.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Advertising and marketing costs: The Company expenses advertising and marketing costs as incurred. The Company incurred advertising and marketing costs of $3.8 million, $3.5 million and $2.4 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Cash: The Company maintains its cash in bank deposit accounts which, at times, may exceed federally-insured limits. The Company has not experienced any losses in such accounts.

Accounts receivable: Accounts receivable are carried at the original charge amount less an estimate made for doubtful receivables based on a review of all outstanding amounts. Management determines the allowance for doubtful accounts by regularly evaluating individual customer receivables and considering a customer's financial condition and current economic conditions. Accounts receivable are written off when deemed uncollectible. Recoveries of accounts receivable previously written off are recorded as income when received. The Company considers an account receivable to be past due if any portion of the receivable balance is outstanding for more than 90 days. Changes in the allowance for doubtful accounts for the years ended December 31, 2016, 2015 and 2014 consisted of the following *(amounts in thousands):*

Year	Description	Beginning of Year	Additions	Write-offs	Recoveries	End of Year
2016	Allowance for doubtful accounts	$ 1,512	$ 399	$ 201	$ 1	$ 1,711
2015	Allowance for doubtful accounts	$ 1,073	$ 920	$ 482	$ 1	$ 1,512
2014	Allowance for doubtful accounts	$ 651	$ 462	$ 45	$ 5	$ 1,073

Programming rights: We enter into multi-year license agreements with various programming Distributors for distribution of their respective programming ("programming rights") and capitalize amounts paid to secure or extend these programming rights at the lower of unamortized cost or estimated net realizable value. If management estimates that the unamortized cost of programming rights exceeds the estimated net realizable value, an adjustment is recorded to reduce the carrying value of the programming rights. No such write-down was deemed necessary during the years ended December 31, 2016, 2015 and 2014. Programming rights are amortized over the term of the related license agreements or the number of exhibitions, whichever occurs first. The amortization of these rights, which was $12.2 million, $11.7 million and $10.4 million for the years ended December 31, 2016, 2015 and 2014, respectively, is recorded as part of cost of revenues in the accompanying consolidated statements of operations. Accumulated amortization of the programming rights was $18.3 million and $19.7 million at December 31, 2016 and 2015, respectively. Costs incurred in connection with the purchase of programs to be broadcast within one year are classified as current assets, while costs of those programs to be broadcast subsequently are considered noncurrent. Program obligations are classified as current or noncurrent in accordance with the payment terms of the license agreement.

Property and equipment: Property and equipment are recorded at cost. Depreciation is determined using the straight-line method over the expected remaining useful lives of the respective assets. Useful lives range from 1 - 40 years for improvements, equipment, buildings and towers. Upon retirement or other disposition, the cost and related accumulated depreciation of the assets are removed from the accounts and the resulting gain or loss is reflected in the determination of net income or loss. Expenditures for maintenance and repairs are expensed as incurred. Property and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

Investments: The Company holds an investment in an equity method investees. Investments in equity method investees are those for which the Company has the ability to exercise significant influence, but does not control and is not the primary beneficiary. Significant influence typically exists if the Company has a 20% to 50% ownership interest in the venture unless persuasive evidence to the contrary exists. Under this method of accounting, the Company typically records its proportionate share of the net earnings or losses of equity method investees and a corresponding increase or decrease to the investment balances. Cash payments to equity method investees such as additional investments, loans and advances and expenses incurred on behalf of investees, as well as payments from equity method investees such as dividends, distributions and repayments of loans and advances are recorded as adjustments to investment balances. The Company evaluates its equity method investments for impairment whenever events or changes in circumstances indicate that the carrying amounts of such investments may not be recoverable.

Goodwill and other intangibles: The Company's goodwill is recorded as a result of the Company's business combinations using the acquisition method of accounting. Indefinite lived intangible assets include a broadcast license, trademark and tradenames. Other intangible assets include customer relationships, non-compete agreement and affiliate agreements with an estimated useful life of one to ten years. Other intangible assets are amortized over their estimated lives using the straight-line method. Costs incurred to renew or extend the term of recognized intangible assets are capitalized and amortized over the useful life of the asset.

The Company tests its broadcast license annually for impairment or whenever events or changes in circumstances indicate that such assets might be impaired. The impairment test consists of a comparison of the fair value of these assets with their carrying amounts using a discounted cash flow valuation method, assuming a hypothetical start-up scenario.

The Company tests its trademarks and tradenames annually for impairment or whenever events or changes in circumstances indicate that such assets might be impaired. The test consists of a comparison of the fair value of these assets with the carrying amounts utilizing an income approach in the form of the royalty relief method, which measure the cost savings that a business enjoys since it does not have to pay a royalty rate for the use of a particular domain name and brand.

The Company tests its goodwill annually for impairment or whenever events or changes in circumstances indicate that goodwill might be impaired. The first step of the goodwill impairment test compares the fair value of each reporting unit with its carrying amount, including goodwill. The fair value of the reporting units are determined through the use of a discounted cash flow analysis incorporating variables such as revenue projections, projected operating cash flow margins, and discount rates.

The valuation assumptions used in the discounted cash flow model reflect historical performance of the Company and prevailing values in the broadcast and cable markets. If the fair value exceeds the carrying amount, goodwill is not considered impaired. If the carrying amount exceeds the fair value, the second step of the goodwill impairment test is performed to measure the amount of impairment loss, if any. The second step of the goodwill impairment test compares the implied fair value of goodwill with the carrying amount of that goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss shall be recognized in an amount equal to that excess.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

The Company tests its other finite lived intangible asset for impairment whenever events or changes in circumstances indicate that such asset or asset group might be impaired. This analysis is performed by comparing the respective carrying value of the asset group to the current and expected future cash flows, on an undiscounted basis, to be generated from such asset group. If such analysis indicates that the carrying value of this asset group is not recoverable, the carrying value of such asset group is reduced to fair value.

Deferred financing costs: Deferred financing costs are recorded net of accumulated amortization and are presented as a reduction to the principal amount of the long-term debt. Amortization is calculated on the effective-interest method over the term of the applicable loan. Amortization of deferred financing costs was $0.5 million, $0.5 million and $0.5 million, which is included in interest expense, net in the accompanying consolidated statements of operations for the years ended December 31, 2016, 2015 and 2014, respectively. Accumulated amortization of deferred financing costs was $1.5 million and $1.0 million at December 31, 2016 and 2015. The net deferred financing costs of $1.8 million and $2.3 million at December 31, 2016 and 2015, respectively, and have been presented on the consolidated balance sheets as a reduction to the principal amount of the Long-term debt outstanding.

Income taxes: Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis and operating loss and tax credit carryforwards. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

We record foreign withholding tax, which is withheld by foreign customers from their remittances to us, on a gross basis as a component of income taxes and separate from revenue in the consolidated statement of operations.

We follow the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, we may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained upon examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods. To the extent that interest and penalties are assessed by taxing authorities on any underpayment of income taxes, such amounts are accrued and classified as a component of income tax expense.

Fair value of financial instruments: The carrying amounts of cash, accounts receivable and accounts payable approximate fair value because of the short maturity of these items. The carrying

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

value of the long-term debt approximates fair value because this instrument bears interest at a variable rate, is pre-payable, and is at terms currently available to the Company.

Generally accepted accounting principles establish a framework for measuring fair value and expanded disclosures about fair value measurements. This guidance enables the reader of the financial statements to assess the inputs used to develop those measurements by establishing a hierarchy for ranking the quality and reliability of the information used to determine fair values. Under this guidance, assets and liabilities carried at fair value must be classified and disclosed in one of the following three categories:

Level 1 inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that are accessible at the measurement date.

Level 2 inputs to the valuation methodology include quoted prices in markets that are not active or quoted prices for similar assets and liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

Level 3 inputs to the valuation methodology are unobservable, reflecting the entity's own assumptions about assumptions market participants would use in pricing the asset or liability.

The categorization of an asset or liability within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The Company's programming rights and goodwill are classified as Level 3 in the fair value hierarchy, as they are measured at fair value on a non-recurring basis and are adjusted to fair value only when the carrying values exceed their fair values. For the years ended December 31, 2016, 2015 and 2014 there were no adjustments to fair value.

The Company's variable-rate debt is classified as Level 2 in the fair value hierarchy, as its estimated fair value is derived from quoted market prices by independent dealers. The carrying value of the long-term debt approximates fair value at December 31, 2016 and 2015.

Major customers and suppliers: Two of our Distributors accounted for more than 10% of our total net revenues for the year ended December 31, 2016. There were no other Distributors or other customers that accounted for more than 10% of revenue in any year. Our Networks are provided to these Distributors pursuant to affiliation agreements with varying terms.

Recent accounting pronouncements: In January 2017, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Updated ("ASU", "Update") 2017-04 Intangibles Goodwill and Other (Topic 350) Simplifying the Test for Goodwill Impairment.* The amendments in this Update simplify how an entity is required to test goodwill for impairment by eliminating step 2 from the goodwill impairment test. In computing the implied fair value of goodwill under step 2, an entity had to perform procedures to determine the fair value at the impairment testing date of its assets and liabilities following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Under amendments in this Update, an entity would perform its annual, or interim, testing by comparing the fair value of a reporting unit with its carrying amount. An entity would recognize an impairment charge for the amount by which the carrying amount

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 1. Nature of Business and Significant Accounting Policies (Continued)

exceeds the reporting unit's fair value, not to exceed the total amount of goodwill allocated to the reporting unit. The amendments in this update are effective for annual periods beginning after December 15, 2020, and interim periods within those annual periods. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017.

In May 2014, the FASB and the International Accounting Standards Board updated the accounting guidance related to revenue recognition. The updated accounting guidance provides a single, contract-based revenue recognition model to help improve financial reporting by providing clearer guidance on when an entity should recognize revenue, and by reducing the number of standards to which an entity has to refer. In July 2015, the FASB voted to defer the effective date by one year for annual reporting periods beginning after December 31, 2017. The updated accounting guidance provides companies with alternative methods of adoption. In March 2016, the FASB issued *ASU 2016-08-Revenue from Contracts with Customers (Topic 606): Principle versus Agent Considerations (Reporting Revenue Gross versus Net)*. In April 2016, the FASB issued further guidance related to revenue recognition with *ASU 2016-10 Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing* ("Update 2016-10"). In May 2016, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Updated ("ASU") 2016-12 Revenue from contracts with Customers (Topic 605) Narrow-Scope Improvements and Practical Expedients.* ASU 2016-08, ASU 2016-10, and ASU 2016-12 do not change the core principle of the guidance in Topic 606, rather they clarify issues around assessing collectability, agent vs principle, performance obligations and issues concerning implementation at transition to the ASU. The effective date for implementation remains unchanged and will impact the first interim period of our 2018 fiscal year. The Company has identified retransmission consent fees/ subscriber fees and advertising sales as significant and is currently in the process of analyzing each of these revenue streams in accordance with the new guidance to determine the impact on the consolidated financial statements. The guidance permits two methods of adoption: retrospectively to each prior reporting period presented (full retrospective method), or retrospectively with the cumulative effect of initially applying the guidance recognized at the date of initial application (the cumulative catch-up transition method). When the Company has completed its evaluation, it will determine the method of transition that will be used in adopting the new standard.

The FASB issued *ASU 2016-02 Leases (Topic 842)* in February 2016. ASU 2016-02 amends the FASB Accounting Standards Codification, creating Topic 842, Leases. Topic 842 affects any entity that enters into a lease, with specified scope exemptions, and supersedes Topic 840, Leases. The core principle of Topic 842 is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases. The recognition, measurement and presentation of expenses and cash flows from a lease by a lessee have not changed significantly from previous GAAP. The principle difference from previous guidance is that the assets and liabilities arising from an operating lease should be recognized in the statement of financial position. The guidance will be effective for the first interim period of our 2019 fiscal year. Early application of the amendments in this update is permitted. We are currently evaluating the impact of the new standard

Use of estimates: In preparing these consolidated financial statements, management had to make estimates and assumptions that affected the reported amounts of assets and liabilities and the disclosures of contingent assets and liabilities as of the balance sheets date, and the reported revenues and expenses for the years then ended. Such estimates are based on historical experience and other assumptions that are considered appropriate in the circumstances. However, actual results could differ from those estimates.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 2. Related Party Transactions

The Company has various agreements with MVS, a Mexican media and television conglomerate, which has directors and stockholders in common with the Company as follows:

An agreement through August 1, 2017, pursuant to which MVS provides Cinelatino with satellite and support services including origination, uplinking and satellite delivery of two feeds of Cinelatino's channel (for U.S. and Latin America), master control and monitoring, dubbing, subtitling and close captioning, and other support services (the "Satellite and Support Services Agreement"). This agreement was amended on May 20, 2015, to expand the services MVS provides to Cinelatino to include commercial insertion and editing services to support advertising sales on Cinelatino's U.S. feed. Expenses incurred under this agreement are included in cost of revenues in the accompanying condensed consolidated statements of operations. Total expenses incurred were $2.6 million, $2.3 million and $2.1 million for the years ended December 31, 2016, 2015 and 2014, respectively, and are included in cost of revenues.

A ten-year master license agreement through July 2017, which grants MVS the non-exclusive right (except with respect to pre-existing distribution arrangements between MVS and third party distributors that were effective at the time of the consummation of our initial public offering) to duplicate, distribute and exhibit Cinelatino's service via cable, satellite or by any other means in Latin America and in Mexico to the extent that Mexico distribution is not owned by MVS. Pursuant to the agreement, Cinelatino receives revenue net of MVS's distribution fee, which is presently equal to 13.5% of all license fees collected from Distributors in Latin America and Mexico. Total revenues recognized were $4.0 million, $5.1 million and $4.2 million for the years ended December 31, 2016, 2015 and 2014, respectively. MVS has terminated the agreement effective February 29, 2016. We continued to operate under the terms of the terminated agreement through December 31, 2016.

An affiliation agreement through August 1, 2017 for the distribution and exhibition of Cinelatino's programming service through Dish Mexico (dba Commercializadora de Frecuencias Satelitales, S de R.L. de C.V.), an MVS affiliate that transmits television programming services throughout Mexico. Total revenues recognized were $2.2 million, $2.0 million and $1.9 million for the years ended December 31, 2016, 2015 and 2014, respectively.

An affiliation agreement, effective July 2015 through January 2018 for the distribution and exhibition of Pasiones' Latin American programming service through Dish Mexico (dba Comercializadora de Frecuencias Satelitales, S de R.L. de C.V.), an MVS affiliate that transmits television programming services throughout Mexico. Total revenues recognized were $0.0 for the years ended December 31, 2016 and 2015.

In October 2016, we licensed programming from MVS. Expenses incurred under this agreement are included in cost of revenues and amounted to $0.0 million for the years ended December 31, 2016. At December 31, 2016, $0 million is included in programming rights related to this agreement.

In November 2013, we licensed six movies from MVS. Expenses incurred under this agreement are included in cost of revenues and amounted to $0.0 million for the years ended December 31, 2016, 2015, and 2014. At December 31, 2016 and 2015, $0.0 million is included in programming rights related to this agreement.

Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 2. Related Party Transactions (Continued)

Amounts due from MVS pursuant to the agreements noted above, amounted to $1.5 million and $1.7 million at December 31, 2016 and 2015, respectively, and are remitted monthly. Amounts due to MVS pursuant to the agreements noted above amounted to $0.5 million and $1.1 million at December 31, 2016 and 2015, respectively, and are remitted monthly.

We renewed the three-year consulting agreement effective April 9, 2016 with James M. McNamara, a member of the Company's board of directors, to provide the development, production and maintenance of programming, affiliate relations, identification and negotiation of carriage opportunities, and the development, identification and negotiation of new business initiatives including sponsorship, new channels, direct-to-consumer programs and other interactive initiatives. Total expenses incurred under these agreements are included in selling, general and administrative expenses and amounted to $0.6 million for the year ended December 31, 2016 and $0.7 million for the years ended December 31, 2015 and 2014, respectively. Amounts due this related party totaled $0 at December 31, 2016 and 2015, respectively.

We have entered into programming agreements with Panamax Films, LLC ("Panamax"), an entity owned by James M. McNamara for the licensing of three specific movie titles. Expenses incurred under this agreement are included in cost of revenues in the accompanying consolidated statements of operations, and amounted to $0.0 million for each of the years ended December 31, 2016, 2015 and 2014. At December 31, 2016 and 2015, $0.1 million and $0.1 million, respectively, is included in other assets in the accompanying consolidated balance sheets as prepaid programming related to these agreements.

During 2013, we engaged Pantelion to assist in the licensing of a feature film in the United States. Pantelion is a joint venture made up of several organizations, including Panamax Films, LLC ("Panamax"), Lions Gate Films Inc. ("Lions Gate") and Grupo Televisa. Panamax is owned by James McNamara, who is also the Chairman of Pantelion. We agreed to pay to Pantelion, in connection with their services, up to 12.5% of all "licensing revenues". Total licensing revenues are included in net revenues in the accompanying consolidated statements of operations and amounted to $0.1 million for the year ended December 31, 2016 and $0.0 million for the years ended December 31, 2015 and 2014, respectively. Total expenses incurred are included in cost of revenues in the accompanying consolidated statements of operations and amounted to $0.0 for each of the years ended December 31, 2016, 2015, and 2014. Amounts due Pantelion at December 31, 2016 and 2015 totaled $0. In October 2015, Pantelion purchased advertising time on one of our channels, which amounted to $0.0 million, net of commission.

We entered into agreements to license the rights to motion pictures from Lions Gate for a total license fee of $1.0 million. Some of the titles are owned or controlled by Pantelion, for which Lions Gate acts as Pantelion's exclusive licensing agent. Fees paid by Cinelatino to Lions Gate may be remunerated to Pantelion in accordance with their financial arrangements. Expenses incurred under this agreement are included in cost of revenues in the accompanying consolidated statements of operations, and amounted to $0.3 million and $0.2 million for the years ended December 31, 2016 and 2015, respectively. At December 31, 2016 and 2015, $0.3 million and $0.2 million, respectively, is included in programming rights, related to these agreements, in the accompanying consolidated balance sheets.

We entered into a services agreement with InterMedia Advisors, LLC ("IMA") which has officers, directors and stockholders in common with the Company for services including, without limitation, office space and operational support pursuant to a reimbursement agreement with IMA's affiliate,

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 2. Related Party Transactions (Continued)

InterMedia Partners VII, L.P. Expenses incurred under this agreement are included in selling, general and administrative expenses in the accompanying consolidated statements of operations and amounted to $0.1 million for the year ended December 31, 2016 and $0.0 million for the years ended December 31, 2015 and 2014, respectively. The amounts due from this related party amounted to $0.1 million and $0.0 million as of December 31, 2016 and 2015, respectively.

Note 3. Property and Equipment

Property and equipment at December 31, 2016 and 2015 consists of the following *(amounts in thousands)*:

	2016	2015
Land and improvements	$ 8,724	$ 8,724
Building	11,579	9,399
Equipment	27,953	24,312
Towers	5,484	5,484
	53,740	47,919
Less: accumulated depreciation	(29,115)	(26,103)
	24,625	21,816
Equipment installations in progress	876	3,581
	$ 25,501	**$ 25,397**

Depreciation expense was $3.2 million, $3.7 million and $3.8 million for the years ended December 31, 2016, 2015 and 2014, respectively.

Note 4. Goodwill and Intangible Assets

Goodwill and intangible assets consist of the following at December 31, 2016 and 2015 (*amounts in thousands*):

	December 31,	
	2016	**2015**
Broadcast license	$ 41,356	$ 41,356
Goodwill	164,887	164,887
Other intangibles	64,849	78,185
Total intangible assets	**$ 271,092**	**$ 284,428**

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 4. Goodwill and Intangible Assets (Continued)

A summary of changes in the Company's goodwill and other indefinite lived intangible assets, on a net basis, for the years ended December 31, 2016 and 2015 is as follows *(amounts in thousands)*:

	Net Balance at December 31, 2015	Additions	Impairment	Net Balance at December 31, 2016
Broadcast license	$ 41,356	$	$	$ 41,356
Goodwill	164,887			164,887
Brands	15,986			15,986
Other intangibles	700			700
Total indefinite-lived intangibles	**$ 222,929**	**$**	**$**	**$ 222,929**

	Net Balance at December 31, 2014	Additions	Impairment	Net Balance at December 31, 2015
Broadcast licenses	$ 41,356	$	$	$ 41,356
Goodwill	164,887			164,887
Brands	15,986			15,986
Other intangibles	700			700
Total indefinite-lived intangibles	**$ 222,929**	**$**	**$**	**$ 222,929**

A summary of the changes in the Company's other amortizable intangible assets for the years ended December 31, 2016 and 2015 is as follows (*amounts in thousands*):

	Net Balance at December 31, 2015	Additions	Amortization	Net Balance at December 31, 2016
Affiliate relationships	$ 56,766	$	$ (12,298)	$ 44,468
Advertiser relationships	2,344		(552)	1,792
Non-compete agreement	2,333		(549)	1,784
Other intangibles	56	94	(31)	119
Total finite-lived intangibles	**$ 61,499**	**$ 94**	**$ (13,430)**	**$ 48,163**

	Net Balance at December 31, 2014	Additions	Amortization	Net Balance at December 31, 2015
Affiliate relationships	$ 69,064	$	$ (12,298)	$ 56,766
Advertiser relationships	2,896		(552)	2,344
Non-compete agreement	2,882		(549)	2,333
Other intangibles	83	65	(92)	56

Total finite-lived intangibles	**$ 74,925**	**$ 65**	**$ (13,491)**	**$ 61,499**

The aggregate amortization expense of the Company's amortizable intangible assets was $13.4 million, $13.5 million and $12.7 million for the years ended December 31, 2016, 2015 and 2014.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 4. Goodwill and Intangible Assets (Continued)

The weighted average remaining amortization period is 4.2 years at December 31, 2016. Future estimated amortization expense is as follows *(amounts in thousands):*

Year Ending December 31,	Amount
2017	$ 13,281
2018	13,205
2019	8,455
2020	6,032
2021 and thereafter	7,190
	$ 48,163

Note 5. Equity Method Investments

On November 3, 2016, we acquired a minority interest in a newly formed joint venture with Lionsgate to launch a Spanish-language OTT movie service. The service plans to launch in the fiscal year ending December 31, 2017. The OTT JV had no activity from operations in the year ending December 31, 2016 and the Company did not make any capital contributions to the OTT JV in the fiscal year ending December 31, 2016.

On November 30, 2016, we, in partnership with Colombian content producers, Radio Television Interamericana S.A., Compania de Medios de Informacion S.A.S and NTC Nacional de Television y Comunicaciones S.A., were awarded a ten (10) year renewable television broadcast concession license for Canal Uno in Colombia. Canal Uno is one of only three national broadcast television licenses in Colombia. The Canal Uno JV is expected to begin operations of the network through a newly formed joint venture vehicle on May 1, 2017. For the year ending December 31, 2016, we accounted for the investment under the equity method.

Note 6. Income Taxes

For the years ended December 31, 2016, 2015 and 2014, Income before provision for income taxes, includes the following components (*amounts in thousands*):

	2016	2015	2014
Domestic income	$ 10,997	$ 9,663	$ 6,764
Foreign income	17,375	13,118	6,222
	$ 28,372	$ 22,781	$ 12,986

For the years ended December 31, 2016, 2015 and 2014, income tax expense is composed of the following *(amounts in thousands*):

	2016	2015	2014
Current income tax expense	$ 15,800	$ 11,880	$ 4,693
Deferred income tax (benefit)	(5,428)	(2,838)	(2,264)
	$ 10,372	$ 9,042	$ 2,429

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 6. Income Taxes (Continued)

Current tax expense for the years ended December 31, 2016, 2015 and 2014 includes $1.7 million, $1.5 million and $1.1 million of foreign withholding tax, respectively.

For the years ended December 31, 2016, 2015 and 2014 the Company's income tax expense and effective tax rates were as follows:

	2016	2015	2014
Pre-tax book income US Only	35.0%	35.0%	35.0%
Pre-tax book income PR Only	21.4%	20.2%	16.9%
Permanent items	3.2%	4.0%	3.2%
Return to provision true-ups Current/Deferred	1.1%	1.4%	3.8%
Foreign rate differential	2.4%	2.2%	3.4%
Foreign tax credits	32.0%	24.5%	31.1%
Change in valuation allowance	0.0%	0.0%	19.6%
Foreign withholding taxes	6.0%	6.7%	8.9%
Deferred foreign tax credit offset	0.0%	2.2%	4.0%
State taxes and state rate change	1.4%	0.3%	1.9%
UTP adjustment	0.3%	0.0%	0.0%
	36.6%	39.7%	18.8%

For the year ended December 31, 2016, the items that significantly affect the differences between the tax provision calculated at the statutory federal income tax rate and the actual tax benefit recorded primarily relate to increases in taxes in Puerto Rico and foreign withholding taxes that will generate offsetting U.S. foreign tax credits. The foreign rate differential is created by significant operations taxed in Puerto Rico which has a higher tax rate than the US federal rate. The operations that are taxed in Puerto Rico are also taxed in the U.S., generating a foreign tax credit. As a result, Puerto Rico timing differences creating deferred tax liabilities represent future Puerto Rico taxes and future potential foreign tax credits. The deferred foreign tax credit offset represents the future foreign tax credits related to the Puerto Rico timing differences. The Company receives revenue from various foreign jurisdictions that are subject to withholding taxes. These withholding taxes have been recorded in the provision for income taxes and generate foreign tax credits.

For the year ended December 31, 2015, the items that significantly affect the differences between the tax provision calculated at the statutory federal income tax rate and the actual tax benefit recorded relate to increases in taxes in Puerto Rico and foreign withholding taxes that will generate offsetting U.S. foreign tax credits.

For the year ended December 31, 2014, the items that significantly affect the differences between the tax provision calculated at the statutory federal income tax rate and the actual tax benefit recorded relate to increases in taxes in Puerto Rico that will generate offsetting U.S. foreign tax credits and the reduction of the valuation allowance. The realization of deferred tax assets depends on the generation of sufficient taxable income of the appropriate character and in the appropriate taxing jurisdiction during the future periods in which the related temporary differences become deductible. A valuation allowance is provided to reduce such deferred tax assets to amounts more likely than not to be ultimately realized. The Company reversed a valuation allowance of $2.5 million on the deferred tax

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 6. Income Taxes (Continued)

assets to increase the total amount that management believed would be ultimately realized, due to the expected increase in income following the Cable Networks Acquisition on April 1, 2014.

The Company may be audited by federal, state and local tax authorities, and from time to time these audits could result in proposed assessments. The Company has open tax years from 2012 forward for federal and state tax purposes. During 2015, the Company received a notice that the Hemisphere Media Group, Inc. 2013 tax return was selected for examination by the IRS. The audit was closed with no findings in 2016.

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities calculated for financial reporting purposes and the amounts calculated for preparing its income tax returns in accordance with tax regulations and the net tax effects of operating loss and tax credits carried forward. Net deferred tax liabilities consist of the following components as of December 31, 2016 and 2015 *(amounts in thousands*):

	2016	2015
Deferred tax assets:		
Allowances for doubtful accounts	$ 2,046	$ 1,976
Deferred branch tax benefit	15,859	15,813
State tax Federal deduction true-up	70	
Deferred income		29
Fixed assets	43	39
Accrued expenses	1,204	1,440
Foreign tax credit	11,449	5,572
Stock compensation	3,865	3,465
Pension	690	651
Intangibles	2,286	2,376
Other DTA	533	
	38,045	31,361
Deferred tax liabilities:		
Prepaid expenses	(505)	(196)
Intangibles	(20,910)	(23,000)
Property and equipment	(3,117)	(3,098)
Amortization expense	(12,704)	(9,715)
Total deferred tax liabilities	(37,236)	(36,009)
	$ 809	$ (4,648)

The deferred tax amounts mentioned above have been classified on the accompanying consolidated balance sheets at December 31, 2016 and 2015 as follows (*amounts in thousands*):

	2016	2015
Non-current assets	$ 18,638	$ 13,280

Non-current liabilities	$	17,829	$	17,928

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 6. Income Taxes (Continued)

At December 31, 2016 and 2015, the Company has foreign tax credit carryforwards for U.S. federal purposes and foreign minimum credits totaling $11.4 million and $5.6 million, respectively, which expire during the years 2021 through 2025. These tax credits were generated on revenues earned by our channels for airing content in Puerto Rico, Mexico and Latin America.

Upon audit, taxing authorities may prohibit the realization of all or part of an uncertain tax position. The Company regularly assesses the outcome of potential examinations in each of the tax jurisdictions when determining the adequacy of the amount of unrecognized tax benefit recorded. The Company recognizes interest and penalties related to uncertain tax positions, if any, in income tax expense. As of December 31, 2016, the Company has uncertain tax position reserves of $0.4 million and $0.3 million recorded related interest expense of $0.0 million as of December 31, 2016 and 2015. During 2014, the Company identified an uncertain tax position and recorded a liability of $0.7 million with an offsetting deferred tax asset. The company accrued no interest related to this item.

Note 7. Long-Term Debt

Long-term debt as of December 31, 2016 and 2015 consists of the following (*amounts in thousands*):

	December 31, 2016	December 31, 2015
Senior Notes due July 2020	$ 210,270	$ 217,669
Less: Current portion		(8,278)
	$ 210,270	$ 209,391

Note that the prior year balance sheet presentation was adjusted to conform with current year adoption of *ASU 2015-03 Simplifying the Presentation of Debt Issuance Costs*, which requires that deferred financing fees be presented in the balance sheet as a direct reduction of Long-term debt. As a result, prior year assets and liabilities both decreased by $2.3 million.

On July 31, 2014, certain of our subsidiaries (the "Borrowers") amended the Term Loan Facility (the "Existing Term Loan Facility") which provides for an aggregate principal amount of $225.0 million and matures on July 30, 2020. Pricing on the Existing Term Loan Facility was set at LIBOR plus 400 basis points subject to a LIBOR floor of 1.00% resulting in an effective interest rate 5.00%, and 0.5% of original issue discount ("OID"). The Existing Term Loan Facility also provides an uncommitted accordion option (the "Incremental Facility") allowing for additional borrowings under the Existing Term Loan Facility up to an aggregate principal amount equal to (i) $40.0 million plus (ii) an additional amount of up to 4.0x first lien net leverage. The obligations under the Existing Term Loan Facility are guaranteed by HMTV, LLC, our direct wholly-owned subsidiary, and all of our existing and future subsidiaries (subject to certain exceptions in the case of immaterial subsidiaries). Additionally, the Existing Term Loan Facility provides for an uncommitted incremental revolving loan option in an aggregate principal amount of up to $20.0 million, which shall be secured on a *pari passu* basis by the collateral securing the Existing Term Loan Facility. The Existing Term Loan Facility is secured by a first-priority perfected security interest in substantially all of our assets.

The proceeds of the Existing Term Loan Facility, were used to pay fees and expenses associated with the Cable Networks Acquisition, and for general corporate purposes including potential future acquisitions. The OID of $1.3 million, net of accumulated amortization of $1.1 million at December 31,

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 7. Long-Term Debt (Continued)

2016, was recorded as a reduction to the principal amount of the Existing Term Loan Facility outstanding and will be amortized as a component of interest expense over the term of the Existing Term Loan Facility. We recorded $1.8 million of deferred financing costs associated with the Existing Term Loan Facility, as amended, net of accumulated amortization of $1.5 million at December 31, 2016, which was recorded as a reduction to the principal amount of the Long-term debt outstanding and will be amortized utilizing the effective interest rate method over the remaining term of the Existing Term Loan Facility. In July 2014, we recorded a $1.1 million loss on early extinguishment of debt; $0.7 million related to deferred costs and $0.4 million related to OID.

The Existing Term Loan Facility principal payments are payable on quarterly due dates commencing September 30, 2014, with a final installment on July 30, 2020.

In addition, pursuant to the terms of the Existing Term Loan Facility, within 90 days after the end of each fiscal year (commencing with the fiscal year ending December 31, 2015), the Borrowers are required to make a prepayment of the loan principal in an amount equal to 50% of the excess cash flow of the most recently completed fiscal year. Excess cash flow is generally defined as net income plus depreciation and amortization expense, less mandatory prepayments of the term loan, interest charges, income taxes and capital expenditures, and adjusted for the change in working capital. The percentage of the excess cash flow used to determine the amount of the prepayment of the loan declines from 50% to 25% and again to 0% at lower leverage ratios.

In March of 2016, the Company made an excess cash flow payment of $8.3 million. As permitted under the Existing Term Loan Facility, the excess cash flow payment was allocated at our election and in direct order of maturity, accordingly, we did not make the scheduled quarterly loan amortization payments in 2016.

Following are maturities of long-term debt, at December 31, 2016 (*amounts in thousands*):[(a)]

Year Ending December 31,		
2017	$	
2018		
2019		722
2020		212,625
	$	213,347

(a) Table does not consider any future excess cash payments.

On February 14, 2017 (the "Closing Date), the Borrowers amended the Existing Term Loan Facility. (the "Amended Term Loan Facility") (see Note 12 Subsequent Event).

The Amended Term Loan Facility provides for term loans in the aggregate principal amount of $213.3 million, which will mature on February 14, 2024. (the Existing Term Loan Facility was due to mature on July 30, 2020). The Amended Term Loan Facility, issued with 0.5% of original issue discount, will bear interest at the Borrowers' option of either (i) LIBOR plus a margin of 3.50% (decreased from a margin of 4.00% under the Existing Term Loan Facility) or (ii) or an Alternate Base Rate ("ABR") plus a margin of 2.50% (decreased from a margin of 3.00% under the Existing Term

Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 7. Long-Term Debt (Continued)

Loan Facility). There is no LIBOR floor (a decrease from a LIBOR floor of 1.00% under the Existing Term Loan Facility).

The Amended Term Loan Facility will require the Borrowers to make amortization payments (in quarterly installments) equal to 1.00% per annum with respect to the Existing Term Loan Facility with any remaining amount due at final maturity. The Amended Term Loan Facility principal payments will commence on March 31, 2017 with a final installment on February 14, 2024. Voluntary prepayments will be permitted, in whole or in part, subject to certain minimum prepayment requirements; provided that any prepayments made prior to the date that is six months from the Closing Date of the Amended Term Loan Facility, for the purpose of repricing or effectively repricing the Amended Term Loan Facility, will be required to include a 1.00% prepayment premium.

Following are maturities of long-term debt under the Amended Term Loan Facility, (*amounts in thousands*):[(a)]

Year Ending December 31,		
2017	$	2,133
2018		2,133
2019		2,133
2020		2,133
2021 and thereafter		204,815
	$	213,347

The Amended Term Loan Facility, among other terms, provides for an uncommitted incremental loan option (the "Incremental Facility") allowing for increases for borrowings under the Amended Term Loan Facility and borrowing of new tranches of term loans, up to an aggregate principal amount equal to (i) $65.0 million (increased from $40.0 million from the Existing Credit Agreement) plus (ii) an additional amount (the "Incremental Facility Increase") provided, if after giving effect to such Incremental Facility Increase (as well as any other additional term loans), on a pro forma basis, the First Lien Net Leverage Ratio (as defined in the Amended Credit Agreement) for the most recent four consecutive fiscal quarters does not exceed 4.00:1.00 and the Total Net Leverage Ratio (as defined in the Amended Credit Agreement) for the most recent four consecutive fiscal quarters does not exceed 6.00:1.00. The First Lien Net Leverage Ratio and the Total Net Leverage Ratio each caps the cash netted against debt up to a maximum amount of $60.0 million (increased from $45.0 million under the Existing Credit Agreement). Additionally, the Amended Term Loan Facility also provides for an uncommitted incremental revolving loan option (the "Incremental Revolving Facility") allowing for an aggregate principal amount of up to $30.0 million, which shall be secured on a *pari passu* basis by the collateral securing the Amended Term Loan Facility.

Note 8. Stockholders' Equity

Capitalization

Capital Stock

In connection with the Transaction (i) the holders of Cinelatino common stock and the holder of membership interests in WAPA Holdings (the "Cinelatino/WAPA Investors") surrendered their

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 8. Stockholders' Equity (Continued)

respective interests and received an aggregate of 33,000,000 shares of Hemisphere Class B common stock, par value $0.0001 ("Class B common stock")(of which 1.5 million Class B Common Stock is subject to forfeiture if the market price of shares of Hemisphere Class A common stock does not reach certain levels), a cash payment equal to an aggregate of $5.0 million, and purchased 2,333,334 warrants from Azteca founders to purchase Hemisphere Class A common stock, par value $0.0001 (such warrants, "Warrants" and such stock, "Class A common stock"); (ii) each share of Azteca common stock was automatically converted into one share of Class A common stock; (iii) each Amended Azteca Warrant, as defined below, was automatically converted into an equal number of Warrants; and (iv) immediately prior to the consummation of the Transaction, Azteca Acquisition Holdings, LLC and certain existing shareholders of Azteca contributed 250,000 shares of Azteca common stock to Azteca for cancellation and agreed to subject an additional 250,000 shares of Class A common stock to certain forfeiture provisions (a total of 503,788 shares of Class A common stock is subject to forfeiture) if the market price of shares of Hemisphere Class A common stock does not reach certain levels. Following the consummation of the Transaction, there were 10,991,100 shares of Class A stock outstanding and 33,000,000 shares of Hemisphere Class B stock outstanding. Subsequent to the Transaction, an additional 250,000 shares of Class A restricted stock were issued. From time to time the Company has issued Class A common stock to certain members of management and board of directors as equity compensation, subject to time and performance vesting conditions, as discussed below.

As of December 31, 2016, the Company had 21,900,160 shares of Class A common stock (including shares subject to forfeiture), and 20,800,998 shares of Class B common stock (including shares subject to forfeiture), issued and outstanding.

Pursuant to the Equity Restructuring and Warrant Purchase Agreement, dated as of January 22, 2013, by and among Azteca Acquisition Holdings, LLC and the Company and the other parties identified therein, certain initial stockholders of Azteca Acquisition Corporation (which merged with the Company in connection with its initial public offering), agreed to subject 378,788 shares of Class A common stock to certain forfeiture provisions if the market price of shares of Hemisphere Class A common stock did not equal or exceed $15.00 per share for any 20 trading days within at least one 30-trading day period within 36 months of April 4, 2013. Effective the close of trading on April 4, 2016, such holders forfeited 378,788 shares of Class A common stock back to the Company as a result.

In the event the last sale price of the Class A common stock does not equal or exceed $15.00 per share (as adjusted for stock splits, share dividends, reorganizations, recapitalizations and the like) for any 20 trading days within at least one 30-trading day period before April 4, 2018, 125,000 shares of Class A common stock and 1.5 million shares of Class B Common Shares will be forfeited.

On June 8, 2016, the Company completed a privately negotiated stock repurchase of 2.8 million shares of Class A common stock at a price of $10.50 per share for $29.4 million. On March 16, 2016, the Company completed a repurchase of 100,000 shares of Class A common stock at a price of $13.35 per share for $1.3 million. The repurchased shares were placed into treasury to be used for general corporate purposes.

On October 21, 2016, an aggregate of 9.2 million shares of Class B common stock held by InterMedia Partners VII, L.P. and its affiliates ("IM") were distributed to limited partners of IM. A beneficial owner of shares of Class B common stock may transfer, directly or indirectly, shares of Class B common stock, whether by sale, assignment, gift or otherwise, only to a Class B Permitted Transferee (as defined in the Company's amended an and restated certificate of incorporation) and no

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 8. Stockholders' Equity (Continued)

Class B stockholder may otherwise transfer beneficial ownership (as hereinafter defined) of any shares of Class B common stock. As such, shares of Class B common stock held by IM were converted to shares of Class A common stock, including an aggregate of 419,383 shares of Class B common stock that are subject to forfeiture and distribution as elected by IM's limited partners were converted into shares of Class A common stock.

Warrants

The Company has issued 14.7 million warrants, which qualify as equity instruments. Each warrant entitles the holder to purchase one-half of the number of shares of our Class A common stock at a price of $6.00 per half share. At December 31, 2016, 12.3 million warrants were issued and outstanding, which are exercisable into 6.1 million shares of our Class A common stock. Warrants are only exercisable for a whole number of shares of common stock (i.e. only an even number of warrants may be exercised at any given time by a registered holder). Thus, a holder must exercise at least two warrants, at an effective exercise price of $12.00 per warrant. At the option of the Company, 8.7 million warrants may be called for redemption, provided that the last sale price of our Class A common stock reported has been at least $18.00 per share on each of twenty trading days within the thirty-day period ending on the third business day prior to the date on which notice of redemption is given. The warrants expire on April 4, 2018.

During the year ended December 31, 2016, we repurchased 1.0 million warrants for $1.0 million, and we issued 35,000 shares of Class A common stock upon the exercise of 70,000 warrants for total exercise proceeds of $0.4 million.

Voting

Class B common stock votes on a 10 to 1 basis with the Class A common stock, which means that each share of Class B common stock will have 10 votes and each share of Class A common stock will have 1 vote. The Class B common stock shall be convertible in whole or in part at any time at the option of the holder or holders thereof, into an equal number of Class A common stock. Warrants are not entitled to vote, unless converted into shares of the Company's Class A common stock.

Equity Incentive Plans

Effective May 16, 2016, the stockholders of all classes of capital stock of the Company approved at the annual stockholder meeting the Hemisphere Media Group, Inc. Amended and Restated 2013 Equity Incentive Plan (the "2013 Equity Incentive Plan") to increase the number of shares of Class A common stock that may be delivered under the 2013 Equity Incentive Plan by 3.2 million shares, provide limits on non-employee director awards and additional provisions as set forth therein (a copy of the 2013 Equity Incentive Plan is provided in the Company's 2016 annual proxy statement). An aggregate of 7.2 million shares of our Class A common stock were authorized for issuance under the terms of the Equity Incentive Plan. At December 31, 2016, 2.8 million shares remained available for issuance of stock options or other stock-based awards under our 2013 Equity Incentive Plan (including shares of restricted Class A common stock surrendered to the Company in payment of taxes required to be withheld in respect of vested shares of restricted Class A common stock, which are available for re-issuance). The expiration date of the 2013 Equity Incentive Plan, on and after which date no awards may be granted, is April 4, 2023. The Company's board of directors, or a committee thereof,

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 8. Stockholders' Equity (Continued)

administers the 2013 Equity Incentive Plan and has the sole and plenary authority to, among other things: (i) designate participants; (ii) determine the type, size, and terms and conditions of awards to be granted; and (iii) determine the method by which an award may be settled, exercised, canceled, forfeited or suspended.

The Company's time-based restricted stock awards and option awards generally vest in three equal annual installments beginning on the first anniversary of the grant date, subject to the grantee's continued employment or service with the Company. The Company's event-based restricted stock awards and option awards generally vest either upon the Company's Class A common stock attaining a $15.00 closing price per share, as quoted on the NASDAQ Global Market, on at least 10 trading days, subject to the grantee's continued employment or service with the Company. Other event-based restricted stock awards granted to certain members of our Board vest on the day preceding the Company's annual shareholder meeting.

Stock-Based Compensation

Stock-based compensation expense related to stock options and restricted stock was $4.7 million, $5.6 million and $5.9 million for the years ended December 31, 2016, 2015, and 2014, respectively. At December 31, 2016, there was $3.5 million of total unrecognized compensation cost related to non-vested stock options, which is expected to be recognized over a weighted-average period of 2.2 years. At December 31, 2016, there was $3.3 million of total unrecognized compensation cost related to non-vested restricted stock, which is expected to be recognized over a weighted-average period of 2.0 years.

Stock Options

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes pricing model for time-based options and the Monte Carlo simulation model for event-based options. The expected term of options granted is derived using the simplified method under ASC 718-10-S99-1/SEC Topic 14.D for "plain vanilla" options and the Monte Carlo simulation for event-based options. Expected volatility is based on the historical volatility of the Company's competitors given its lack of trading history. The risk-free interest rate is based on the U.S. Treasury yield for a period consistent with the expected term of the option in effect at the time of the grant. The Company has estimated forfeitures of 1.5%, as the awards are to management for which the Company expects lower turnover, and has assumed no dividend yield, as dividends have never been paid to stock or option holders and will not be paid for the foreseeable future.

Black-Scholes Option Valuation Assumptions	**2016**	**2015**	**2014**
Risk-free interest rate	1.60% - 2.44%	1.76% - 2.12%	1.76% - 1.92%
Dividend yield			
Volatility	26.4% - 32.4%	25.8% - 29.5%	28.4% - 30.9%
Weighted-average expected term (years)	6.2	6.3	6.0 - 6.3

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 8. Stockholders' Equity (Continued)

The following table summarizes stock option activity for the years ended December 31, 2016, 2015 and 2014 *(shares and intrinsic values in thousands):*

	Number of shares	Weighted-average exercise price	Weighted-average remaining contractual term	Aggregate intrinsic value
Outstanding at December 31, 2013	1,730	$ 11.20	9.3	$ 2,208
Granted	140	$ 11.56	9.7	
Exercised				
Forfeited or expired				
Outstanding at December 31, 2014	1,870	$ 11.23	8.4	$ 4,721
Granted	215	$ 13.61	6.2	
Exercised	(15)	10.60		
Forfeited or expired	(27)	10.60		
Outstanding at December 31, 2015	2,043	$ 11.49	7.6	$ 6,740
Granted	890	$ 11.97	6.2	
Exercised	(13)	10.60		
Forfeited or expired				
Outstanding at December 31, 2016	2,920	$ 11.64	7.6	$ 1,274
Vested at December 31, 2016	1,533	$ 11.55	6.5	$ 974
Exercisable at December 31, 2016	1,533	$ 11.55	6.5	$ 974

The weighted average grant date fair value of options granted for the years ended December 31, 2016, 2015 and 2014 was $3.71, $4.13 and $3.75. At December 31, 2016, 0.3 million options granted are unvested, event-based options.

Restricted Stock

Certain employees and directors have been awarded restricted stock under the 2013 Equity Incentive Plan. The time-based restricted stock grants vest primarily over a period of three years. The fair value and expected term of event-based restricted stock grants is estimated at the grant date using the Monte Carlo simulation model.

Explanation of Responses:

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 8. Stockholders' Equity (Continued)

The following table summarizes restricted share activity for the years ended December 31, 2016, 2015 and 2014 (*shares in thousands*):

	Number of shares		Weighted-average grant date fair value
Outstanding at December 31, 2013	945	$	10.18
Granted	79		11.34
Vested	(305)		11.33
Forfeited			
Outstanding at December 31, 2014	719	$	9.82
Granted	99	$	12.42
Vested	(324)		10.65
Forfeited			
Outstanding at December 31, 2015	494	$	9.79
Granted	395		11.82
Vested	(328)		10.88
Forfeited			
Outstanding at December 31, 2016	561	$	10.58

At December 31, 2016, 0.2 million shares of restricted stock issued are unvested, event-based shares.

Note 9. Contingencies

The Company is involved in various legal actions, generally related to its operations. Management believes, based on advice from legal counsel, that the outcome of such legal actions will not adversely affect the financial condition of the Company.

Note 10. Commitments

The Company has entered into certain rental property contracts with third parties, which are accounted for as operating leases. Rental expense was $0.7 million, $0.6 million and $0.3 million for the years ended December 31, 2016, 2015 and 2014, respectively

The Company has certain commitments including various operating leases.

Future minimum payments for these commitments and other commitments, primarily programming, are as follows *(amounts in thousands):*

Year Ending December 31,		Operating Leases		Other Commitments		Total
2017	$	488	$	5,427	$	5,915
2018		455		2,574		3,029
2019		449		1,292		1,741
2020		358		621		979
2021 and thereafter		997		10		1,007
Total	$	2,747	$	9,924	$	12,671

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 11. Retirement Plans

WAPA, a wholly owned subsidiary of the Company, makes contributions to the Televicentro de Puerto Rico Special Retirement Benefits (the "Retirement Plan"). The Retirement Plan is available to all reporters and union employees after completing three (3) months of service. Eligible employees, those meeting active service minimums and minimum age requirements, are eligible to receive a one-time lump sum payment at retirement, of two (2) weeks per year of service capped at a maximum payment of forty-five (45) weeks. The number of retirees is capped at five (5) per year. There are 164 participants in the Retirement Plan.

Following is the plan's projected benefit obligation at December 31, 2016 and 2015. *(amounts in thousands*):

	2016	2015
Projected benefit obligation:		
Balance, beginning of the year	$ 2,865	$ 2,682
Service cost	109	112
Interest cost	104	102
Actuarial (gain) loss	(45)	53
Benefits paid to participants	(6)	(84)
Balance, end of year	$ 3,027	$ 2,865

At December 31, 2016, 2015 and 2014, the funded status of the plan was as follows (*amounts in thousands*):

	2016	2015	2014
Excess of benefit obligation over the value of plan assets	$ (3,027)	$ (2,865)	$ (2,682)
Unrecognized net actuarial loss	818	905	904
Unrecognized prior service cost	52	69	86
Accrued benefit cost	$ (2,157)	$ (1,891)	$ (1,692)

The plan is unfunded. As such, the Company is not required to make annual contributions to the plan.

At December 31, 2016 and 2015, the amounts recognized in the consolidated balance sheets were classified as follows (*amounts in thousands):*

	2016	2015
Accrued benefit cost	$ (3,027)	$ (2,865)
Accumulated other comprehensive loss	870	974
Net amount recognized	$ (2,157)	$ (1,891)

Amounts recorded in accumulated other comprehensive loss are reported net of tax.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 11. Retirement Plans (Continued)

The benefits expected to be paid in each of the next five years and thereafter are as follows (*amounts in thousands*):

Years Ending December 31,	Amount
2017	$ 186
2018	246
2019	121
2020	123
2021	205
2022 through 2025	870
	$ 1,751

At December 31, 2016 and 2015, the following weighted-average rates were used:

	2016	2015
Discount rate on the benefit obligation	3.78%	3.90%
Rate of employee compensation increase	4.00%	4.00%

Pension expense for the years ended December 31, 2016, 2015 and 2014, consists of the following (*amounts in thousands*):

	2016	2015	2014
Service cost	$ 109	$ 112	$ 82
Interest cost	104	102	105
Expected return on plan assets			
Recognized actuarial loss (gain)			
Amortization of prior service cost	17	17	17
Net loss amortization	42	51	27
	$ 272	$ 282	$ 231

WAPA makes contributions to the Plan, a multiemployer pension plan with a plan year end of December 31 that provides defined benefits to certain employees covered by two CBAs, one of which was scheduled to expire on July 23, 2015 and the other of which expires on June 27, 2016. Pursuant to its terms, the CBA which was scheduled to expire on July 23, 2015 automatically renewed for a period of eighteen (18) months upon such expiration date and remained in effect through January 23. Following the expiration of the extension period, the Company and UPAGRA continue to engage in active and good faith negotiations. WAPA's contribution rates to the Plan are generally determined in accordance with the provisions of the CBAs and a rehabilitation plan that was adopted by the TNGIPP.

The risks in participating in such a plan are different from the risks of single-employer plans, in the following respects:

Assets contributed to a multiemployer plan by one employer may be used to provide benefits to employees of any other participating employer.

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 11. Retirement Plans (Continued)

If a participating employer ceases to contribute to a multiemployer plan, the unfunded obligation of the plan allocable to such withdrawing employer may be borne by the remaining participating employer.

Under current law regarding multiemployer defined benefit plans, WAPA's withdrawal (or amass withdrawal of all contributing employers from any underfunded multiemployer defined benefit plan) would require us to make payments to the plan for our proportionate share of the multiemployer plan's UVBs benefits. Under the statutory requirements applicable to withdrawal liability with respect to a multiemployer pension plan, in the event of a complete withdrawal from the Plan, WAPA's payment amount for a given year would be determined based on its highest contribution rate (as limited by the Multiemployer Pension Reform Act of 2014) and highest and its highest average contribution hours over a period of three consecutive plan years out of the ten-year period preceding the date of withdrawal. To the extent that the prescribed payment amount was not sufficient to discharge WAPA's share of the Plan's UVBs, WAPA's payment obligation would nevertheless end after 20 years of payments (absent a withdrawal that is part of a mass withdrawal, in which case the annual payments would continue indefinitely or until WAPA paid its proportionate share of the Plan's UVBs).

WAPA has received Annual Funding Notices, Report of Summary Plan Information, Critical Status Notices ("Notices") and the above-noted Rehabilitation Plan, as defined by the Pension Protection Act of 2006 ("PPA"), from the Plan. The Notices indicate that the Plan actuary has certified that the Plan is in critical status, the "Red Zone", as defined by the PPA, and that a plan of rehabilitation ("Rehabilitation Plan") was adopted by the Trustees of the Plan ("Trustees") on May 1, 2010 and then updated on November 17, 2015. On May 29, 2010, the Trustees sent WAPA a Notice of Reduction and Adjustment of Benefits Due to Critical Status explaining all changes adopted under the Rehabilitation Plan, including the reduction or elimination of benefits referred to as "adjustable benefits." In connection with the adoption of the Rehabilitation Plan, most of the Plan participating unions and contributing employers (including the Newspaper Guild International and WAPA), agreed to one of the "schedules" of changes as set forth under the Rehabilitation Plan. WAPA elected the "Preferred Schedule" and executed a Memorandum of Agreement, effective May 27, 2010 (the "MOA") and agreed to the following contribution rate increases: 3.0% beginning on January 1, 2013; an additional 3.0% beginning on January 1, 2014; and an additional 3% beginning on January 1, 2015. In 2015, The Plan's Trustee's reviewed the Rehabilitation Plan and the financial projections under the Plan and determined that is was not prudent to continue benefit accruals under the current Plan and that implementation of an updated plan with a new benefit design would be in the best interest of the Plan's participants. As a result, the Plan's Board of Trustee's adopted changes to the Rehabilitation Plan effective January 1, 2016.

Under the Rehabilitation Plan, as revised in 2015, WAPA will need to agree to one of the updated "schedules" of changes as set forth under the revised Rehabilitation Plan. These schedule options include a new preferred schedule that does not require contribution increases but requires the employer to commit to remaining in the Plan for an additional five years, or the existing preferred schedule or a default schedule, both of which require annual contribution increases of 3% (starting January 1, 2016).

The contribution increases and effect of the Rehabilitation Plan as described above are not anticipated to have a material effect on the Company's results of operations. However, in the event other contributing employers are unable to, or fail to, meet their ongoing funding obligations, the

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 11. Retirement Plans (Continued)

financial impact on WAPA to contribute to any plan underfunding may be material. In addition, if a United States multiemployer defined benefit plan fails to satisfy certain minimum funding requirements, the Internal Revenue Service may impose a nondeductible excise tax of 5.0% on the amount of the accumulated funding deficiency for those employers contributing to the fund.

If WAPA completely or partially withdrew from the Plan, it would be obligated to pay complete or partial withdrawal liability (which could be material). Pursuant to the last available notice (for the Plan year ended December 31, 2014), WAPA's contributions to the Plan exceeded 5% of total contributions made to the Plan.

Further information about the Plan is presented in the table below (*amounts in thousands*):

Pension Fund	EIN	Pension Protection Act Zone Status 2013	Funding Improvement Plan/Rehabilitation Plan Status	WAPA's Contribution 2016	2015	2014	Surcharge Imposed	Expiration Date of Collective Bargaining Agreements
TNGIPP (Plan No. 001)	52-1082662	Red	Implemented	$ 156	$ 151	$ 144	Yes	July 21, 2015 June 27, 2016

Note 12. Subsequent Event

On February 14, 2017, certain of our subsidiaries entered into an amendment to our credit agreement providing for a $213.3 million senior secured term loan B facility (the "Amended Term Loan Facility"), which extended the maturity date by over three years from July 2020 to February 2024. Interest on the Amended Term Loan Facility was set at LIBOR plus 350 (decreased from a margin of 4.00% under the Existing Term Loan Facility) basis points and no LIBOR floor (decreased from a LIBOR floor of 1.00% under the Existing Term Loan Facility). The Amended Term Loan Facility principal payments are payable on quarterly due dates commencing March 14, 2017, and a final installment on February 14, 2024. Estimated transaction costs total approximately $2.3 million. We are currently evaluating the accounting for the debt refinancing and related transaction costs.

Note 13. Quarterly Financial Data (Unaudited)

(Amounts in thousands, except per share amounts)

	2016 Quarters Ended(a)			
	March 31	June 30	September 30	December 31
Net revenues	$ 30,971	$ 35,031	$ 33,116	39,407
Operating income	7,164	10,677	9,579	12,603
Net income	2,700	5,029	4,349	5,922
Earnings per share:				
Basic	$ 0.06	$ 0.12	$ 0.11	$ 0.15
Dilutive	$ 0.06	$ 0.12	$ 0.11	$ 0.15

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Hemisphere Media Group, Inc.

Notes to Consolidated Financial Statements (Continued)

Note 13. Quarterly Financial Data (Unaudited) (Continued)

	2015 Quarters Ended(a)			
	March 31	June 30	September 30	December 31
Net revenues	$ 29,471	$ 32,618	$ 31,465	$ 36,236
Operating income	7,056	8,780	7,951	11,079
Net income	2,462	3,431	2,910	4,934
Earnings per share:				
Basic	$ 0.06	$ 0.08	$ 0.07	$ 0.11
Dilutive	$ 0.06	$ 0.08	$ 0.07	$ 0.11

	2014 Quarters Ended(b)			
	March 31	June 30	September 30	December 31
Net revenues	$ 20,951	$ 29,055	$ 28,781	$ 33,202
Operating income	3,647	6,612	5,559	10,211
Net income	248	5,318	663	4,330
Earnings per share:				
Basic	$ 0.01	$ 0.13	$ 0.02	$ 0.10
Dilutive	$ 0.01	$ 0.13	$ 0.02	$ 0.10

(a) The sum of the quarters will not equal the full year due to rounding.

(b) On April 1, 2014, the Cable Networks Acquisition was consummated, and the operating results are included in our consolidated financial statements as of the date of the acquisition.