# 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 September 30, 2019**

**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: 001-35886**

# HEMISPHERE MEDIA GROUP, INC.

(Exact name of registrant as specified in its charter)

| **Delaware** | **80-0885255** |
|---|---|
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |
| **Hemisphere Media Group, Inc.**<br>**4000 Ponce de Leon Boulevard**<br>**Suite 650**<br>**Coral Gables, FL**<br>(Address of principal executive offices) | **33146**<br>(Zip Code) |

**(305) 421-6364**
(Registrant's telephone number, including area code)

**Not Applicable**
(Former name, former address and former fiscal year, if changed since last report)

Securities registered pursuant to Section 12(b) of the Act:

| Title of Each Class | Trading Symbol(s) | Name of Each Exchange on Which Registered |
|---|---|---|
| Class A common stock, par value $0.0001 per share | HMTV | The NASDAQ Stock Market LLC |

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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

| Class of Stock | Shares Outstanding as of November 5, 2019 |
|---|---|
| Class A common stock, par value $0.0001 per share | 20,256,791 shares |

| | |
|---|---|
| Class B common stock, par value $0.0001 per share | 19,720,381 shares |

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**September 30, 2019**
**(Unaudited)**

## PART I

*Unless otherwise indicated or the context requires otherwise, in this disclosure, references to the "Company," "Hemisphere," "registrant," "we," "us" or "our" refers to Hemisphere Media Group, Inc., a Delaware corporation and, where applicable, its consolidated subsidiaries; "Business" refers collectively to our consolidated operations; "Cable Networks" refers to our Networks (as defined below) with the exception of WAPA and WAPA Deportes; "Canal 1" refers to a joint venture among us and Radio Television Interamericana S.A., Compania de Medios de Informacion S.A.S. and NTC Nacional de Television y Comunicaciones S.A. to operate a broadcast television network in Colombia; "Centroamerica TV" refers to HMTV Centroamerica TV, LLC, a Delaware limited liability company; "Cinelatino" refers to Cine Latino, Inc., a Delaware corporation; "Distributors" refers collectively to satellite systems, telephone companies ("telcos"), and cable multiple system operators ("MSO"s), and the MSO's affiliated regional or individual cable systems; "MarVista" refers to Mar Vista Entertainment, LLC, a Delaware limited liability company; "MVS" refers to Grupo MVS, S.A. de C.V., a Mexican Sociedad Anonima de Capital Variable (variable capital corporation) and its affiliates, as applicable; "Networks" refers collectively to WAPA, WAPA Deportes, WAPA America, Cinelatino, Pasiones, Centroamerica TV and Television Dominicana; "Nielsen" refers to Nielsen Media Research; "Pantaya" refers to Pantaya, LLC, a Delaware limited liability company, a joint venture among us and a subsidiary of Lions Gate Entertainment, Inc.; "Pasiones" refers collectively to HMTV Pasiones US, LLC, a Delaware limited liability company, and HMTV Pasiones LatAm, LLC, a Delaware limited liability company; "REMEZCLA" refers to Remezcla, LLC, a New York limited liability company; "Second Amended Term Loan Facility" refers to our Term Loan Facility amended on February 14, 2017 as set forth on Exhibit 10.6 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017; "Snap Media" refers to Snap Global, LLC, a Delaware limited liability company and its wholly owned subsidiaries; "Television Dominicana" refers to HMTV TV Dominicana, LLC, a Delaware limited liability company; "Term Loan Facility" refers to our term loan facility amended on July 31, 2014 as set forth on Exhibit 10.5 to the Company's Annual Report on Form 10-K for the year ended December 31, 2017; "WAPA" refers to Televicentro of Puerto Rico, LLC, a Delaware limited liability company; "WAPA America" refers to WAPA America, Inc., a Delaware corporation; "WAPA Deportes" refers to a sports television network in Puerto Rico operated by WAPA; "WAPA.TV" refers to a news and entertainment website in Puerto Rico operated by WAPA; "United States" or "U.S." refers to the United States of America, including its territories, commonwealths and possessions.*

## FORWARD-LOOKING STATEMENTS

### CAUTIONARY STATEMENT FOR PURPOSES OF THE "SAFE HARBOR" PROVISIONS OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995.

Statements in this Quarterly Report on Form 10-Q (this "Quarterly Report"), including the exhibits attached hereto, future filings by us with the Securities and Exchange Commission, our press releases and oral statements made by, or with the approval of, our authorized personnel, that relate to our future performance or future events, may contain certain statements about Hemisphere Media Group, Inc. (the "Company") and its consolidated subsidiaries that do not directly or exclusively relate to historical facts. These statements are, or may be deemed to be, "forward-looking statements" within the meaning of the U.S. Private Securities Litigation Reform Act of 1995.

These forward-looking statements are necessarily estimates reflecting the best judgment and current expectations, plans, assumptions and beliefs about future events (in each case subject to change) of our senior management and management of our subsidiaries (including target businesses) and involve a number of risks, uncertainties and other factors, some of which may be beyond our control that could cause actual results to differ materially from those expressed or implied in such forward-looking statements. Without limitation, any statements preceded or followed by or that include the words "targets," "plans," "believes," "expects," "intends," "will," "likely," "may," "anticipates," "estimates," "projects," "should," "would," "expect," "positioned," "strategy," "future," "potential," "forecast," or words, phrases or terms of similar substance or the negative thereof, are forward-looking statements. These include, but are not limited to, the Company's future financial and operating results (including growth and earnings), plans, objectives, expectations and intentions and other statements that are not historical facts.

We claim the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 for all forward-looking statements.

Forward-looking statements are not guarantees of performance. If one or more of these factors materialize, or if any underlying assumptions prove incorrect, our actual results, performance, or achievements may vary materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition to the risk factors described in "Item 1A—Risk Factors" in this Quarterly Report on Form 10-Q, those factors include:

- the effects of Hurricanes Irma and Maria in the short and long-term on our business, including, without limitation, affiliate revenue that we receive and the advertising market in Puerto Rico as well as our customers, employees, third-party vendors and suppliers and the short and long-term migration shifts in Puerto Rico;
- our ability to timely and fully recover proceeds under our insurance policies in Puerto Rico following Hurricanes Maria and Irma, including one of our policies with an insurance carrier which was recently placed under an order of rehabilitation;
- the reaction by advertisers, programming providers, strategic partners, the Federal Communications Commission (the "FCC") or other government regulators to businesses that we acquire;
- the potential for viewership of our Networks' programming to decline or unexpected reductions in the number of subscribers to our Networks;
- the risk that we may fail to secure sufficient or additional advertising and/or subscription revenue;
- the inability of advertisers or affiliates to remit payment to us in a timely manner or at all;
- the risk that we may become responsible for certain liabilities of the businesses that we acquire or joint ventures we enter into;
- future financial performance, including our ability to obtain additional financing in the future on favorable terms;
- the failure of our Business to produce projected revenues or cash flows;
- reduced access to capital markets or significant increases in borrowing costs;
- our ability to successfully manage relationships with customers and Distributors and other important third parties;
- continued consolidation of Distributors in the marketplace;
- a failure to secure affiliate agreements or renewal of such agreements on less favorable terms;
- disagreements with our Distributors over contract interpretation;
- our success in acquiring, investing in and integrating complementary businesses;
- the outcome of any pending or threatened litigation;
- the loss of key personnel and/or talent or expenditure of a greater amount of resources attracting, retaining and motivating key personnel than in the past;
- strikes or other union job actions that affect our operations, including, without limitation, failure to renew our collective bargaining agreements on mutually favorable terms;
- changes in technology, including changes in the distribution and viewing of television programming, expanded deployment of personal video recorders, video on demand, internet protocol television, mobile personal devices and personal tablets and their impact on subscription and television advertising revenue;
- the failure or destruction of satellites or transmitter facilities that we depend upon to distribute our Networks;
- uncertainties inherent in the development of new business lines and business strategies;
- changes in pricing and availability of products and services;
- uncertainties regarding the financial results of equity method investees and changes in the nature of key strategic relationships with partners and Distributors;

- changes in domestic and foreign laws or regulations under which we operate;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the U.S. or in the countries in which we operate;
- the ability of suppliers and vendors to deliver products and services;
- fluctuations in foreign currency exchange rates and political unrest and regulatory changes in the international markets in which we operate;
- the deterioration of general economic conditions, either nationally or in the local markets in which we operate, including, without limitation, in the Commonwealth of Puerto Rico;
- changes in the size of the U.S. Hispanic population, including the impact of federal and state immigration legislation and policies on both the U.S. Hispanic population and persons emigrating from Latin America;
- changes in, or failure or inability to comply with, government regulations including, without limitation, regulations of the FCC, and adverse outcomes from regulatory proceedings; and
- competitor responses to our products and services.

The list of factors above is illustrative, but by no means exhaustive. All forward-looking statements should be evaluated with the understanding of their inherent uncertainty. All subsequent written and oral forward-looking statements concerning the matters addressed in this Quarterly Report and attributable to us or any person acting on our behalf are qualified by these cautionary statements.

The forward-looking statements are based on current expectations about future events and are not guarantees of future performance, and are subject to certain risks, uncertainties and assumptions. Although we believe that the expectations reflected in the forward-looking statements are reasonable, these expectations may not be achieved. We may change our intentions, beliefs or expectations at any time and without notice, based upon any change in our assumptions or otherwise. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**PART I - FINANCIAL INFORMATION**

**ITEM I. FINANCIAL STATEMENTS**

**HEMISPHERE MEDIA GROUP, INC.**
**Condensed Consolidated Balance Sheets**
**(amounts in thousands, except share and par value amounts)**

| | September 30, 2019 (Unaudited) | December 31, 2018 (Audited) |
|---|---|---|
| **Assets** | | |
| Current Assets | | |
| Cash | $ 85,227 | $ 94,478 |
| Accounts receivable, net of allowance for doubtful accounts of $551 and $2,645, respectively | 29,630 | 30,840 |
| Due from related parties | 1,255 | 970 |
| Programming rights | 10,456 | 10,735 |
| Prepaids and other current assets | 7,719 | 7,801 |
| **Total current assets** | 134,287 | 144,824 |
| Programming rights, net of current portion | 14,208 | 15,321 |
| Property and equipment, net | 34,758 | 32,209 |
| Operating lease right-of-use assets | 1,962 | — |
| Broadcast license | 41,356 | 41,356 |
| Goodwill | 170,068 | 169,994 |
| Other intangibles, net | 32,243 | 39,086 |
| Deferred income taxes | 5,243 | 4,290 |
| Equity method investments | 51,476 | 51,658 |
| Other assets | 1,310 | 2,529 |
| **Total Assets** | $ 486,911 | $ 501,267 |
| | | |
| **Liabilities and Stockholders' Equity** | | |
| Current Liabilities | | |
| Accounts payable | $ 2,057 | $ 2,515 |
| Due to related parties | 434 | 626 |
| Accrued agency commissions | 3,393 | 5,061 |
| Accrued compensation and benefits | 5,369 | 5,855 |
| Accrued marketing | 4,957 | 5,619 |
| Other accrued expenses | 5,945 | 6,810 |
| Income taxes payable | — | 2,265 |
| Programming rights payable | 5,141 | 4,051 |
| Investee losses in excess of investment | 1,484 | 4,982 |
| Current portion of long-term debt | 2,134 | 2,134 |
| **Total current liabilities** | 30,914 | 39,918 |
| Programming rights payable, net of current portion | 1,052 | 1,133 |
| Long-term debt, net of current portion | 202,794 | 203,957 |
| Deferred income taxes | 19,541 | 19,520 |
| Other long-term liabilities | 3,937 | 1,080 |
| Defined benefit pension obligation | 2,239 | 2,260 |
| **Total Liabilities** | 260,477 | 267,868 |
| | | |
| **Stockholders' Equity** | | |
| Preferred stock, $0.0001 par value; 50,000,000 shares authorized; 0 shares issued and outstanding at September 30, 2019 and December 31, 2018 | — | — |
| Class A common stock, $.0001 par value; 100,000,000 shares authorized; 25,033,981 and 24,849,589 shares issued at September 30, 2019 and December 31, 2018, respectively. | 3 | 2 |
| Class B common stock, $.0001 par value; 33,000,000 shares authorized; 19,720,381 shares issued and outstanding at September 30, 2019 and December 31, 2018 | 2 | 2 |
| Additional paid-in capital | 273,245 | 270,345 |
| Treasury stock, at cost 5,544,460 and 5,523,838 at September 30, 2019 and December 31, 2018, respectively | (59,540) | (59,088) |
| Retained earnings | 12,229 | 19,495 |
| Accumulated other comprehensive (loss) income | (956) | 1,155 |
| **Total Hemisphere Media Group, Inc. Stockholders' Equity** | 224,983 | 231,911 |
| Equity attributable to non-controlling interest | 1,451 | 1,488 |
| **Total Stockholders' Equity** | 226,434 | 233,399 |
| **Total Liabilities and Stockholders' Equity** | $ 486,911 | $ 501,267 |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**HEMISPHERE MEDIA GROUP, INC.**
**Condensed Consolidated Statements of Operations**
**(Unaudited)**
**(amounts in thousands, except per share amounts)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net revenues | $ 35,846 | $ 37,239 | $ 110,103 | $ 101,065 |
| Operating expenses: | | | | |
| Cost of revenues | 10,445 | 11,039 | 31,976 | 31,300 |
| Selling, general and administrative | 11,869 | 11,095 | 33,583 | 32,787 |
| Depreciation and amortization | 2,581 | 4,023 | 9,204 | 12,040 |
| Other expenses | 530 | 193 | 1,183 | 967 |
| Gain from FCC spectrum repack and other | (154) | (936) | (1,661) | (974) |
| **Total operating expenses** | 25,271 | 25,414 | 74,285 | 76,120 |
| **Operating income** | 10,575 | 11,825 | 35,818 | 24,945 |
| Other expenses, net: | | | | |
| Interest expense, net | (3,113) | (3,073) | (9,078) | (8,976) |
| Loss on equity method investments | (6,888) | (8,657) | (24,048) | (27,278) |
| Gain on insurance proceeds | — | 2,080 | — | 2,080 |
| **Total other expenses, net** | (10,001) | (9,650) | (33,126) | (34,174) |
| **Income (loss) before income taxes** | 574 | 2,175 | 2,692 | (9,229) |
| Income tax expense | (3,743) | (3,229) | (9,942) | (4,490) |
| **Net loss** | (3,169) | (1,054) | (7,250) | (13,719) |
| Net loss attributable to non-controlling interest | — | — | 37 | — |
| **Net loss attributable to Hemisphere Media Group, Inc.** | $ (3,169) | $ (1,054) | $ (7,213) | $ (13,719) |
| | | | | |
| **Loss per share attributable to Hemisphere Media Group, Inc.:** | | | | |
| Basic | $ (0.08) | $ (0.03) | $ (0.18) | $ (0.35) |
| Diluted | $ (0.08) | $ (0.03) | $ (0.18) | $ (0.35) |
| | | | | |
| **Weighted average shares outstanding:** | | | | |
| Basic | 39,209 | 38,969 | 39,135 | 38,982 |
| Diluted | 39,209 | 38,969 | 39,135 | 38,982 |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**HEMISPHERE MEDIA GROUP, INC.**
**Condensed Consolidated Statement of Comprehensive Loss**
**(Unaudited)**
**(amounts in thousands)**

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| Net loss | $ (3,169) | $ (1,054) | $ (7,250) | $ (13,719) |
| Other comprehensive (loss) income: | | | | |
| Change in fair value of interest rate swap, net of income taxes | (309) | 321 | (2,164) | 1,958 |
| Comprehensive loss | (3,478) | (733) | (9,414) | (11,761) |
| Comprehensive loss attributable to non-controlling interest | — | — | 37 | — |
| Comprehensive loss attributable to Hemisphere Media Group, Inc. | $ (3,478) | $ (733) | $ (9,377) | $ (11,761) |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**HEMISPHERE MEDIA GROUP, INC.**
**Condensed Consolidated Statements of Changes in Stockholders' Equity**
**Three and Nine Months Ended September 30, 2019**
**(Unaudited)**
**(amounts in thousands)**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid In | Class A Treasury | Retained | Accumulated Comprehensive | Non-controlling | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Capital | Stock | Earnings | Income (Loss) | Interest | Total |
| Balance at June 30, 2019 | 25,034 | $ 3 | 19,720 | $ 2 | $ 271,117 | $ (59,573) | $ 15,398 | $ (647) | $ 1,451 | $ 227,751 |
| Net loss | — | — | — | — | — | — | (3,169) | — | — | (3,169) |
| Stock-based compensation | — | — | — | — | 2,175 | — | — | — | — | 2,175 |
| Repurchases of Class A common Stock | — | — | — | — | — | (14) | — | — | — | (14) |
| Issuance of treasury shares for option exercise | — | — | — | — | (47) | 47 | — | — | — | — |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | — | (309) | — | (309) |
| Balance at September 30, 2019 | 25,034 | $ 3 | 19,720 | $ 2 | $ 273,245 | $ (59,540) | $ 12,229 | $ (956) | $ 1,451 | $ 226,434 |

| | Class A Common Stock | | Class B Common Stock | | Additional Paid In | Class A Treasury | Retained | Accumulated Comprehensive | Non-controlling | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Capital | Stock | Earnings | Income (Loss) | Interest | Total |
| Balance at December 31, 2018 | 24,850 | $ 2 | 19,720 | $ 2 | $ 270,345 | $ (59,088) | $ 19,495 | $ 1,155 | $ 1,488 | $ 233,399 |
| Net loss | — | — | — | — | — | — | (7,213) | — | (37) | (7,250) |
| Issuance of treasury shares for acquisition of Snap Media | — | — | — | — | (588) | 588 | — | — | — | — |
| Stock-based compensation | — | — | — | — | 3,535 | — | — | — | — | 3,535 |
| Vesting of restricted stock | 184 | 1 | — | — | — | (532) | — | — | — | (531) |
| Repurchases of Class A common Stock | — | — | — | — | — | (662) | — | — | — | (662) |
| Issuance of treasury shares for option exercise | — | — | — | — | (47) | 154 | — | — | — | 107 |
| Adoption of accounting standards | — | — | — | — | — | — | (53) | 53 | — | — |
| Other comprehensive loss, net of tax | — | — | — | — | — | — | — | (2,164) | | (2,164) |
| Balance at September 30, 2019 | 25,034 | $ 3 | 19,720 | $ 2 | $ 273,245 | $ (59,540) | $ 12,229 | $ (956) | $ 1,451 | $ 226,434 |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**HEMISPHERE MEDIA GROUP, INC.**
**Condensed Consolidated Statements of Changes in Stockholders' Equity**
**Three and Nine Months Ended September 30, 2018**
**(Unaudited)**
**(amounts in thousands)**

| | Class A Common Stock | | Class B Common Stock | | Additional Paid In | Class A Treasury | Retained | Accumulated Comprehensive | Non-controlling | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Capital | Stock | Earnings | Income | Interest | Total |
| Balance at June 30, 2018 | 24,828 | $ 3 | 19,720 | $ 2 | $ 267,347 | $ (59,184) | $ 17,736 | $ 2,109 | — | $ 228,013 |
| Net loss | — | — | — | — | — | — | (1,054) | — | — | (1,054) |
| Stock-based compensation | — | — | — | — | 969 | — | — | — | — | 969 |
| Repurchases of Class A common Stock | — | — | — | — | — | (549) | — | — | — | (549) |
| Exercise of options | 3 | 0 | — | — | 0 | (14) | — | — | — | (14) |
| Other comprehensive income, net of tax | — | — | — | — | — | — | — | 321 | — | 321 |
| Balance at September 30, 2018 | 24,831 | $ 3 | 19,720 | $ 2 | $ 268,316 | $ (59,747) | $ 16,682 | $ 2,430 | $ — | $ 227,686 |

| | Class A Common Stock | | Class B Common Stock | | Additional Paid In | Class A Treasury | Retained | Accumulated Comprehensive | Non-controlling | |
|---|---|---|---|---|---|---|---|---|---|---|
| | Shares | Par Value | Shares | Par Value | Capital | Stock | Earnings | Income | Interest | Total |
| Balance at December 31, 2017 | 25,171 | $ 3 | 20,801 | $ 2 | $ 265,329 | $ (57,303) | $ 30,401 | $ 472 | — | $ 238,904 |
| Net loss | — | — | — | — | — | — | (13,719) | — | — | (13,719) |
| Stock-based compensation | — | — | — | — | 2,967 | — | — | — | — | 2,967 |
| Vesting of restricted stock | 199 | 0 | — | — | (0) | (326) | — | — | — | (326) |
| Repurchases of Class A common Stock | — | — | — | — | — | (2,104) | — | — | — | (2,104) |
| Forfeiture of Class A common stock earnouts | (544) | (0) | — | — | 0 | — | — | — | — | — |
| Forfeiture of Class B common stock earnouts | — | — | (1,081) | (0) | 0 | — | — | — | — | — |
| Exercise of warrants | 2 | 0 | — | — | 20 | — | — | — | — | 20 |
| Exercise of options | 3 | 0 | — | — | 0 | (14) | — | — | — | (14) |
| Other comprehensive income, net of tax | — | — | — | — | — | — | — | 1,958 | — | 1,958 |
| Balance at September 30, 2018 | 24,831 | $ 3 | 19,720 | $ 2 | $ 268,316 | $ (59,747) | $ 16,682 | $ 2,430 | $ — | $ 227,686 |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**HEMISPHERE MEDIA GROUP, INC.**
**Condensed Consolidated Statements of Cash Flows**
**(Unaudited)**
**(amounts in thousands)**

| | Nine Months Ended September 30, | |
|---|---|---|
| | 2019 | 2018 |
| Reconciliation of Net Loss to Net Cash Provided by Operating Activities: | | |
| Net loss | $ (7,250) | $ (13,719) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,204 | 12,040 |
| Program amortization | 10,284 | 8,957 |
| Amortization of deferred financing costs and original issue discount | 434 | 440 |
| Stock-based compensation | 3,535 | 2,967 |
| Provision for bad debts | 108 | 174 |
| Loss (gain) on disposition of assets | 16 | (43) |
| Loss on equity method investments | 24,048 | 27,278 |
| Gain from FCC spectrum repack | (1,677) | (566) |
| Deferred tax expense | (312) | (265) |
| Amortization of operating lease right-of-use assets | 357 | — |
| Gain from insurance proceeds | — | (2,080) |
| Changes in assets and liabilities: | | |
| Decrease (increase) in: | | |
| Accounts receivable | 1,102 | (7,656) |
| Programming rights | (8,892) | (14,441) |
| Prepaids and other assets | (2,711) | 2,076 |
| (Decrease) increase in: | | |
| Accounts payable | (458) | 771 |
| Due to related parties, net | (477) | 1,331 |
| Other accrued expenses | (3,681) | (37) |
| Programming rights payable | 1,009 | 3,193 |
| Income taxes payable | (2,265) | — |
| Other liabilities | 1,671 | 135 |
| Net cash provided by operating activities | 24,045 | 20,555 |
| Cash Flows From Investing Activities: | | |
| Funding of equity method investments | (27,361) | (36,947) |
| Capital expenditures | (4,925) | (10,064) |
| FCC spectrum repack proceeds | 1,677 | 566 |
| Insurance proceeds | — | 2,080 |
| Net cash used in investing activities | (30,609) | (44,365) |
| Cash Flows From Financing Activities: | | |
| Principle payments of long-term debt | (1,600) | (2,133) |
| Purchases of common stock | (1,194) | (2,444) |
| Proceeds from exercise of options | 107 | — |
| Proceeds from exercise of warrants | — | 20 |
| Net cash used in financing activities | (2,687) | (4,557) |
| Net decrease in cash | (9,251) | (28,367) |
| Cash: | | |
| Beginning | 94,478 | 124,299 |
| Ending | $ 85,227 | $ 95,932 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash payments for: | | |
| Interest | $ 10,013 | $ 8,564 |
| Income taxes | $ 9,263 | $ 8 |
| Non-cash investing activity: | | |
| Acquisition financed in part by treasury shares | $ 588 | $ — |
| Non-cash financing activity: | | |
| Cashless exercise of options issued from treasury shares | $ 47 | $ — |

See accompanying notes to Unaudited Condensed Consolidated Financial Statements.

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**Note 1. Nature of business**

**Nature of business:** The accompanying Condensed 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"), HMTV Cable, Inc., the parent company of the entities for the acquired networks consisting of Pasiones, TV Dominicana, and Centroamerica TV (see below), and HMTV Distribution, LLC, the parent of Snap Global, LLC, a Delaware limited liability company and its wholly owned subsidiaries ("Snap Media"), which we acquired a 75% interest on November 26, 2018. Hemisphere was formed on January 16, 2013 for purposes of effecting its initial public offering, 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 Condensed Consolidated Financial Statements.

**Reclassification:** Certain prior year amounts on the presented Condensed Consolidated Balance Sheets and Condensed Consolidated Statement of Cash Flows have been reclassified to conform with current period presentation.

**Basis of presentation:** The accompanying Condensed Consolidated Financial Statements for Hemisphere and its subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, certain information and note disclosures normally included in annual financial statements prepared in accordance with GAAP have been condensed or omitted pursuant to those rules and regulations, although we believe that the disclosures made are adequate to make the information not misleading. In our opinion, all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair statement have been included. Our financial condition as of, and operating results, for the three and nine months ended September 30, 2019 are not necessarily indicative of the financial condition or results that may be expected for any future interim period or for the year ending December 31, 2019. These Condensed Consolidated Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2018.

**Net loss per common share:** Basic loss per share is computed by dividing income attributable to Hemisphere Media Group, Inc. common stockholders by the number of weighted-average outstanding shares of common stock. Diluted loss per share 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 loss per share attributable to Hemisphere Media Group, Inc. (*amounts in thousands, except per share amounts):*

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|---|---|---|---|---|
| | 2019 | 2018 | 2019 | 2018 |
| **Numerator for loss per common share calculation:** | | | | |
| Net loss attributable to Hemisphere Media Group, Inc. | $ (3,169) | $ (1,054) | $ (7,213) | $ (13,719) |
| | | | | |
| **Denominator for loss per common share calculation:** | | | | |
| Weighted-average common shares, basic | 39,209 | 38,969 | 39,135 | 38,982 |
| Effect of dilutive securities | | | | |
| Stock options, restricted stock and warrants | — | — | — | — |
| Weighted-average common shares, diluted | 39,209 | 38,969 | 39,135 | 38,982 |
| | | | | |
| Loss per share attributable to Hemisphere Media Group, Inc. | | | | |
| Basic | $ (0.08) | $ (0.03) | $ (0.18) | $ (0.35) |
| Diluted | $ (0.08) | $ (0.03) | $ (0.18) | $ (0.35) |

We apply the treasury stock method to measure the dilutive effect of its outstanding stock options and restricted stock awards and include the respective common share equivalents in the denominator of our diluted loss 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 loss per share computation (ASC 260-10-45-23). The assumed exercise only occurs when the options are "In the Money" (exercise price is lower than the average market price for the period). If the options 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 1.7 million and 1.2 million shares of common stock for the three months ended September 30, 2019 and 2018, respectively, were excluded from the computation of diluted loss per common share for these periods because their effects would have been anti-dilutive. Potentially dilutive securities representing 1.2 million and 1.7 million shares of common stock for the nine months ended September 30, 2019 and 2018, respectively, were excluded from the computation of diluted loss per common share for these periods because their effects would have been anti-dilutive. The net loss per share attributable to

Hemisphere Media Group, Inc. 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.

As a result of the loss from continuing operations for each of the three and nine months ended September 30, 2019 and 2018, 0.3 million outstanding awards, respectively, were not included in the computation of diluted loss per share because their effect was anti-dilutive.

**Use of estimates:** In preparing these Condensed 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 sheet dates, and the reported revenues and expenses for the three and nine months ended September 30, 2019 and 2018. 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.

**Recently adopted Accounting Standards:** On January 1, 2019, we adopted Financial Accounting Standards Board ("the FASB")*ASC Topic 842, Leases (ASC 842)* (the "new lease standard"), using a modified retrospective transition approach with application as of the effective date of initial application without restating comparative period financial statements. The core principle of the new lease standard is that a lessee should recognize the assets and liabilities that arise from leases, including operating leases, in the statement of financial position. We elected to apply the package of practical expedients to our adoption of the new lease standard, which includes allowing us to continue utilizing historical classification of leases. We did not elect the practical expedient that permits a reassessment of lease terms for existing leases. Upon our transition to the new lease standard, we recognized $2.1 million and $1.9 million of operating lease liabilities and corresponding right of use ("ROU") assets, respectively. The adoption of the new lease standard did not have an impact on the Condensed Consolidated Statement of Operations. For additional information about our leases, see Note 13, "Leases" of Notes to Condensed Consolidated Financial Statements.

On January 1, 2019, we adopted the FASB*Accounting Standards Update ("ASU") 2018-07—Compensation —Stock Compensation (Topic 718): Improvements to Nonemployee Share-Based Payment Accounting.* The amendments in this ASU applied to any entity that enters into share-based payment transactions with nonemployees. The new guidance eliminated the requirement to revalue nonemployee share-based transactions on a recurring quarterly basis. The adoption of this ASU did not have an impact on our Condensed Consolidated Financial Statements.

On January 1, 2019, we adopted*ASU 2018-02—Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The amendments in this ASU applied to any entity that has items of other comprehensive income ("OCI") for which the related tax effects are presented in accumulated other comprehensive income ("AOCI"), as previously required by GAAP. This ASU permitted a one-time reclassification from AOCI to Retained earnings for stranded tax effects resulting from the 2017 Tax Cuts and Jobs Act ("Jobs Act") enacted on December 22, 2017. The adoption of this ASU resulted in a one-time reclassification of $0.1 million from AOCI to Retained earnings, which was recorded in the current period. For the impact of this adoption, see Condensed Consolidated Statement of Changes in Stockholders' Equity for the nine months ended September 30, 2019, located in Part I, Item I - Financial Statements.

On January 1, 2019, we adopted*ASU 2017-12 — Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities*. The amendments in this ASU applied to any entity that elects to apply hedge accounting and is intended to better align an entity's risk management activities and financial reporting for hedging relationships. The ASU amends effectiveness testing requirements, income statement presentation and disclosures and permits additional risk management strategies to qualify for hedge accounting. The adoption of this ASU did not have an impact on our Condensed Consolidated Financial Statements.

**Accounting guidance not yet adopted:** In March 2019, the FASB issued*ASU 2019-02—Entertainment—Films-Other Assets-Film Costs (Subtopic 926-20): Improvements to Accounting for Costs of Films.* The updated guidance aligns the accounting for production costs of episodic television series with those of films, allowing for costs to be capitalized in excess of amounts of revenue contracted for each episode. The updated guidance also updates certain presentation and disclosure requirements for capitalized film and television costs, and requires impairment testing to be performed at a group level for capitalized film and television costs when the content is predominately monetized with other owned or licensed content. The updated guidance is effective for the fiscal years beginning after December 15, 2019 and early adoption is permitted. We are currently in the process of determining the impact, if any, that the updated accounting guidance will have on our Condensed Consolidated Financial Statements.

**Note 2. Revenue recognition**

The following is a description of principal activities from which we generate our revenue:

**Affiliate fees:** We enter into arrangements with multi-channel video distributors, such as cable, satellite and telecommunications companies (referred to as "MVPDs") to provide a continuous feed of our programming generally based on a per subscriber fee pursuant to multi-year contracts, referred to as "affiliation agreements", which typically provide for annual rate increases. We have used the practical expedient related to the right to invoice and recognize revenue at the amount to which we have the right to invoice for services performed. The specific affiliate fees we earn vary from period to period, distributor to distributor and also vary among our Networks, but are generally based upon the number of each distributor's paying subscribers who subscribe to our

Networks. Changes in affiliate fees are primarily derived from changes in contractual per subscriber rates charged for our Networks and changes in the number of subscribers. MVPDs report their subscriber numbers to us generally on a two month lag. We record revenue based on estimates of the number of subscribers utilizing the most recently received remittance reporting of each MVPD, which is consistent with our past practice and industry practice. Revenue is recognized on a month by month basis when the performance obligations to provide service to the MVPDs is satisfied. Payment is typically received within sixty days of the remittance.

**Advertising revenue:** Advertising revenues are generated from the sale of commercial time, which is typically sold pursuant to sale orders with advertisers providing for an agreed upon commitment and price per spot. We recognize revenue from the sale of advertising as performance obligations are satisfied upon airing of the advertising; therefore, revenue is recognized at a point in time when each advertising spot is transmitted. Agency fees are calculated based on a stated percentage applied to gross billing revenue for our advertising inventory and are reported as a reduction of advertising revenue. Payment is typically due and received within thirty days of the invoice date.

**Other revenue:** Other revenues are derived primarily through the licensing of content to third parties. We enter into agreements to license content and recognize revenue when the performance obligation is satisfied and control is transferred, which is generally upon delivery of the content.

The following table presents the revenues disaggregated by revenue source *(amounts in thousands):*

| | Three months ended September 30, | |
|---|---|---|
| **Revenues by type** | **2019** | **2018** |
| Affiliate fees | $ 20,993 | $ 20,287 |
| Advertising revenue | 13,780 | 15,855 |
| Other revenue | 1,073 | 1,097 |
| Total revenue | $ 35,846 | $ 37,239 |

| | Nine months ended September 30, | |
|---|---|---|
| **Revenues by type** | **2019** | **2018** |
| Affiliate fees | $ 63,879 | $ 58,231 |
| Advertising revenue | 42,625 | 40,539 |
| Other revenue | 3,599 | 2,295 |
| Total revenue | $ 110,103 | $ 101,065 |

**Note 3. 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:

- On November 15, 2018, the Company executed an amended agreement, 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"). The Satellite and Support Services Agreement expires February 28, 2022. Expenses incurred under this agreement are included in cost of revenues in the accompanying Condensed Consolidated Statements of Operations. Total expenses incurred were $0.7 million and $0.6 million for the three month periods ended September 30, 2019 and 2018, respectively. Total expenses incurred were $2.0 million for each of the nine month periods ended September 30, 2019 and 2018. Amounts due to MVS pursuant to this agreement totaled $0.4 million and $0.7 million at September 30, 2019 and December 31, 2018, respectively.

- On November 15, 2018, the Company extended its affiliation agreement with Dish Mexico (d/b/a Comercializadora de Frecuencias Satelitales, S. de R.L. de C.V.), an MVS affiliate that transmits television programming services throughout Mexico, including Cinelatino. This agreement expires on February 28, 2022. Total revenues recognized were $0.5 million for each of the three month periods ended September 30, 2019 and 2018. Total revenues recognized were $1.4 million for each of the nine month periods ended September 30, 2019 and 2018. Amounts due from Dish Mexico amounted to $0.3 million at September 30, 2019 and December 31, 2018.

- On November 15, 2018, the Company amended and extended its license agreement with MVS, pursuant to which MVS has the non-exclusive right to duplicate, distribute and exhibit Cinelatino's service via cable, satellite or by any other means in Mexico. Pursuant to the amendment, Cinelatino receives revenues net of MVS's distribution fee, which is equal to 13.5% of all license fees collected from third party distributors managed but not owned by MVS. Total revenues recognized were $0.2 million and $0.3 million for the three month periods ended September 30, 2019 and 2018, respectively. Total revenues recognized were $0.8 million for each of the nine month periods ended September 30, 2019 and 2018. Amounts due from MVS pursuant to this agreement totaled $0.7 million at September 30, 2019 and December 31, 2018.

The Company entered into an amended and restated consulting agreement with James M. McNamara on August 13, 2019, 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 $0.1 million for each of the three month periods ended September 30, 2019 and 2018, and $0.3 million and $0.4 million for the nine month periods ended September 30, 2019 and 2018, respectively. No amounts were due to this related party at September 30, 2019 and December 31, 2018.

The Company is party to an output agreement with PantelionFilms, LLC ("Pantelion"), a joint venture made up of several organizations, including Panamax Films, LLC (an entity owned by James M. McNamara), Lions Gate Films, Inc. ("Lionsgate") and Grupo Televisa, for the licensing of movie titles. Expenses incurred under this agreement are included in cost of revenues in the accompanying consolidated statements of operations and amounted to $0.2 million and $0.0 million for the three month periods ended September 30, 2019 and 2018, respectively, and $0.3 million and $0.0 million for the nine month periods ended September 30, 2019 and 2018, respectively. At September 30, 2019 and December 31, 2018, $1.1 million and $0.5 million is included in programming rights, respectively, in the accompanying Condensed Consolidated Balance Sheets related to these agreements.

**Note 4. Snap Media Acquisition**

On November 26, 2018, the Company completed the acquisition of a seventy five percent (75%) interest in Snap Global, LLC ("Snap Media"), pursuant to the terms of a Transaction Agreement (the "Snap Media Acquisition"). Snap Media is a leading independent distributor of content in Latin America to broadcast, pay TV and OTT platforms. The opportunity is to leverage Snap Media to drive licensing of our content and to identify co-production opportunities in Latin America. The Snap Media Acquisition was accounted for as a business combination using the acquisition method of accounting.

Total consideration in connection with the Snap Media Acquisition was $4.8 million (net of $0.7 million of cash acquired), consisting of cash and shares of the Company's Class A common stock. At closing, we paid $1.5 million in cash and issued 101,818 shares of the Company's Class A common stock. During the nine months ended September 30, 2019, 54,825 shares of the Company's Class A common stock were issued and $0.8 million was paid in cash. Future consideration includes $0.5 million to be paid in each of 2020 and 2021, subject to downward adjustment. The fair value of shares of the Company's Class A common stock included in consideration is based on the closing price of the Company's Class A common stock on November 26, 2018. Future consideration is classified as Other long-term liabilities in the accompanying Condensed Consolidated Balance Sheets.

The acquisition accounting for Snap Media as reflected in these financial statements is preliminary. The estimated fair values that are not yet finalized relate to the valuation of goodwill and certain intangible assets.

The preliminary allocation of consideration to the net tangible and intangible assets acquired as of November 26, 2018 is presented in the table below (*amounts in thousands*):

| | | |
|---|---|---|
| Accounts receivable | $ | 1,419 |
| Other current assets | | 30 |
| Intangible asset—content library | | 616 |
| Accounts payable | | (259) |
| Accrued expenses | | (589) |
| Deferred revenue | | (140) |
| Fair value of net assets acquired | | 1,077 |
| Goodwill | | 5,107 |
| Non-controlling interest | | (1,379) |
| Total purchase price consideration | $ | 4,805 |

Programming rights intangible assets have an amortization period of approximately 7.0 years.

The purchase price allocation reflects preliminary fair value estimates based on preliminary work and analysis performed by management. The valuation of certain intangibles is not yet finalized and is subject to change as additional information to assist in the determination of fair value at the closing date is obtained during the post-closing measurement period.

Goodwill attributable to the Snap Media Acquisition is expected to be deductible for tax purposes. Goodwill represents the excess of the purchase price consideration over the fair value of the underlying net assets acquired and largely results from expected future synergies from combining operations as well as an assembled workforce, which does not qualify for separate recognition.

The non-controlling interest fair value reflects the fair value of purchase price consideration for a controlling interest, less discounts for lack of control and marketability.

The Snap Media Acquisition is not material to our Condensed Consolidated Financial Statements, and therefore, supplemental pro forma financial information related to the acquisition is not included herein.

**Note 5. Goodwill and intangible assets**

Goodwill and intangible assets consist of the following as of September 30, 2019 and December 31, 2018 (*amounts in thousands*):

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Broadcast license | $ 41,356 | $ 41,356 |
| Goodwill | 170,068 | 169,994 |
| Other intangibles | 32,243 | 39,086 |
| Total intangible assets | $ 243,667 | $ 250,436 |

A summary of changes in the Company's goodwill and other indefinite-lived intangible assets, on a net basis, for the nine months ended September 30, 2019 is as follows *(amounts in thousands)*:

| | Net Balance at December 31, 2018 | Additions | Impairment | Net Balance at September 30, 2019 |
|---|---|---|---|---|
| Broadcast license | $ 41,356 | $ — | $ — | $ 41,356 |
| Goodwill | 169,994 | 74 | — | 170,068 |
| Brands | 15,986 | — | — | 15,986 |
| Other intangibles | 700 | — | — | 700 |
| Total indefinite-lived intangibles | $ 228,036 | $ 74 | $ — | $ 228,110 |

A summary of the changes in the Company's other amortizable intangible assets for the nine months ended September 30, 2019 is as follows *(amounts in thousands)*:

| | Net Balance at December 31, 2018 | Additions | Amortization | Net Balance at September 30, 2019 |
|---|---|---|---|---|
| Affiliate relationships | $ 20,273 | $ — | $ (5,893) | $ 14,380 |
| Advertiser relationships | 690 | — | (414) | 276 |
| Non-compete agreement | 686 | — | (412) | 274 |
| Other intangibles | 144 | — | (57) | 87 |
| Programming contracts | 607 | — | (67) | 540 |
| Total finite-lived intangibles | $ 22,400 | $ — | $ (6,843) | $ 15,557 |

The aggregate amortization expense of the Company's amortizable intangible assets was $1.8 million and $3.3 million for the three months ended September 30, 2019 and 2018, respectively, and $6.8 million and $9.9 million for the nine months ended September 30, 2019 and 2018, respectively. The weighted average remaining amortization period is 2.6 years at September 30, 2019.

Future estimated amortization expense is as follows *(amounts in thousands):*

| Year Ending December 31, | Amount |
|---|---|
| Remainder of 2019 | $ 1,754 |
| 2020 | 6,170 |
| 2021 | 5,857 |
| 2022 | 1,528 |
| 2023 and thereafter | 248 |
| Total | $ 15,557 |

**Note 6. Equity method investments**

The Company makes investments that support its underlying business strategy and enable it to enter new markets. The carrying values of the Company's equity method investments are typically consistent with its ownership in the underlying net assets of the investees, with the exception of Canal 1 and Pantaya, as described in detail below. Certain of the Company's equity investments are variable interest entities, for which the Company is not the primary beneficiary.

On November 3, 2016, we acquired a 25% interest in Pantaya, a newly formed joint venture with Lionsgate, to launch a Spanish-language OTT movie service. The service launched on August 1, 2017. The investment is deemed a variable interest entity ("VIE") that is accounted for under the equity method. As of September 30, 2019, we have funded $8.5 million in capital contributions to Pantaya. We record the income or loss on investment on a one quarter lag. As of March 31, 2019, our applicable pro rata share of the inception-to-date losses exceeded our contractual funding commitment of $10 million. As such, our cumulative share of the losses is limited to $10 million and no additional losses were recorded in the three month period ended September 30, 2019. For

the three and nine months ended September 30, 2019, we recorded $0 and $0.3 million, respectively in loss on equity method investments in the accompanying unaudited Condensed Consolidated Statements of Operations. For the three and nine months ended September 30, 2018, we recorded $1.6 million and $6.0 million, respectively in loss on equity method investments in the accompanying unaudited Condensed Consolidated Statements of Operations. In accordance with U.S. GAAP, since we are committed to provide future capital contributions to Pantaya, we also present as a liability in the accompanying Condensed Consolidated Balance Sheets the net balance recorded for our share of Pantaya's losses in excess of the amount funded into Pantaya, which was $1.5 million and $5.0 million at September 30, 2019 and December 31, 2018, respectively.

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 1 in Colombia. The partnership began operating Canal 1 on May 1, 2017. On February 7, 2018, Colombian regulatory authorities approved an increase in our ownership in the joint venture from 20% to 40%. In July 2019, the Colombian government enacted legislation resulting in the extension of the concession license for Canal 1 for an additional ten years for no additional consideration. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period. The joint venture is deemed a VIE that is accounted for under the equity method. As of September 30, 2019, we have funded $107.4 million in capital contributions to Canal 1. The Canal 1 joint venture losses-to-date have exceeded the capital contributions of the common equity partners and in accordance with equity method accounting, losses in excess of the common equity have been recorded against the next layer of the capital structure, in this case, preferred equity. The Company is currently the sole preferred equity holder in Canal 1 and therefore, the Company has recorded nearly 100% of the losses of the joint venture. We record the income or loss on investment on a one quarter lag. For each of the three months ended September 30, 2019 and 2018, we recorded $7.1 million in loss on equity method investment, net of a preferred return on capital funded, in the accompanying Unaudited Condensed Consolidated Statements of Operations. For the nine months ended September 30, 2019 and 2018, we recorded $24.0 million and $21.1 million, respectively, in loss on equity method investment, net of a preferred return on capital funded, in the accompanying Unaudited Condensed Consolidated Statements of Operations. The net balance recorded in equity method investments related to the Canal 1 joint venture was $46.0 million and $46.7 million at September 30, 2019 and December 31, 2018, respectively, and is included in equity method investments in the accompanying Condensed Consolidated Balance Sheets.

On April 28, 2017, we acquired a 25.5% interest in REMEZCLA, a digital media company targeting English speaking and bilingual U.S. Hispanic millennials through innovative content. As of September 30, 2019, we have recorded $5.0 million in equity method funding related to REMEZCLA. We record the income or loss on investment on a one quarter lag. For the three and nine months ended September 30, 2019, we recorded $0.2 million and $0.4 million, respectively, in gain on equity method investment inclusive of preferred return on capital funded, in the accompanying Unaudited Condensed Consolidated Statement of Operations. For the three months ended September 30, 2018, we recorded $0.0 million in gain on equity method investment, inclusive of preferred return on capital funded, in the accompanying Unaudited Condensed Consolidated Statement of Operations. For the nine months ended September 30, 2018, we recorded $0.1 million in loss on equity method investment, net of preferred return on capital funded, in the accompanying Unaudited Condensed Consolidated Statement of Operations. The net balance recorded in equity method investments was $5.4 million and $5.0 million at September 30, 2019 and December 31, 2018, respectively, and is included in the accompanying Condensed Consolidated Balance Sheets. We have no additional commitment to fund the operations of the venture.

On November 26, 2018, Snap Media acquired a 50% interest in Snap JV, LLC ("Snap JV") (we own 75% of Snap Media), a newly formed joint venture with Mar Vista Entertainment, LLC ("MarVista"), to co-produce original movies and series. The investment is deemed a VIE that is accounted for under the equity method. As of September 30, 2019, we have funded $0.3 million in capital contributions to Snap JV. We record the income or loss on investment on a one quarter lag. For the three and nine months ended September 30, 2019, we have recorded $0.0 million and $0.1 million in loss on equity method investments in the accompanying Unaudited Condensed Consolidated Statements of Operations. The net balance recorded in equity method investments related to Snap JV was $0.1 million at September 30, 2019, and is included in equity method investments in the accompanying Condensed Consolidated Balance Sheets.

The Company records the income or loss on investments on a one quarter lag. Summary unaudited financial data for our equity investments in the aggregate as of and for the nine months ended June 30, 2019 are included below *(amounts in thousands):*

| | Total Equity Investees |
|---|---|
| Current assets | $ 36,533 |
| Non-current assets | $ 33,316 |
| Current liabilities | $ 69,675 |
| Non-current liabilities | $ 38,271 |
| Redeemable stock and non-controlling interests | $ (413) |
| Net revenue | $ 25,685 |
| Operating loss | $ (29,429) |
| Net loss | $ (42,644) |

**Note 7. Income taxes**

The 2017 Jobs Act was signed into law on December 22, 2017. The Jobs Act revised the U.S. corporate income tax by lowering the statutory corporate tax rate from 35% to 21% in 2018. The Company generates income in higher tax rate foreign locations, which result in foreign tax credits. The lower federal corporate tax rate reduces the likelihood or our utilization of foreign tax credits created by income taxes paid in Puerto Rico and Latin America, resulting in a valuation allowance.

For the nine months ended September 30, 2019 and 2018, our income tax expense has been computed utilizing the estimated annual effective rates of 34.6% and 41.6%, respectively. The difference between the annual effective rate of 34.6% and the statutory Federal income tax rate of 21% in the nine months ended September 30, 2019, is primarily due to the impact of the Jobs Act, which impacted the valuation allowance on foreign tax credits, and limitations on the deductibility of executive compensation under Internal Revenue Code Section 162(m). Due to the reduced U.S. tax rate related to the Jobs Act, the Company determined that a portion of its foreign income, which is taxed at a higher rate, will result in the generation of excess foreign tax credits that will not be available to offset U.S. income tax, resulting in a required valuation allowance against the excess foreign tax credits. The difference between the annual effective rate of 41.6% and the statutory Federal income tax rate of 21% in the nine months ended September 30, 2018, was primarily due to foreign withholding taxes and foreign permanent differences, which were offset in part by foreign tax credits.

Income tax expense was $3.7 million and $3.2 million for the three month period ended September 30, 2019 and 2018, respectively. Income tax expense was $9.9 million and $4.5 million for the nine month period ended September 30, 2019 and 2018, respectively. The increase for the three month period, is due to tax expense of $0.8 million in the current period related to adjustments to the 2018 tax return as a result of a decrease in the foreign tax credit utilization, as compared to the prior year period, which included a benefit of $0.5 million related to hurricane relief credits and an increase to foreign tax credit utilization. The increase for the nine month period was primarily due to higher income.

**Note 8. Long-term debt**

Long-term debt as of September 30, 2019 and December 31, 2018 consists of the following *(amounts in thousands)*:

| | September 30, 2019 | December 31, 2018 |
|---|---|---|
| Senior Notes due February 2024 | $ 204,928 | $ 206,091 |
| Less: Current portion | 2,134 | 2,134 |
| | $ 202,794 | $ 203,957 |

On February 14, 2017 (the "Closing Date"), the Borrowers amended the Term Loan Facility (the "Second Amended Term Loan Facility"). The Second Amended Term Loan Facility provides for a $213.3 million senior secured term loan B facility, which matures on February 14, 2024. The Second Amended Term Loan Facility bears interest at the Borrowers' option of either (i) London Inter-bank Offered Rate ("LIBOR') plus a margin of 3.50% or (ii) an Alternate Base Rate ("ABR") plus a margin of 2.50%. The Second Amended Term Loan Facility, among other terms, provides for an uncommitted incremental loan option (the "Incremental Facility") allowing for increases for borrowings under the Second Amended Term Loan Facility and borrowing of new tranches of term loans, up to an aggregate principal amount equal to (i) $65.0 million plus (ii) an additional amount (the "Incremental Facility Increase") provided, that 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 Second Amended Term Loan Facility) 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 Second Amended Term Loan Facility) 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 cap the cash netted against debt up to a maximum amount of $60.0 million. Additionally, the Second 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 will be secured on a *pari passu* basis by the collateral securing the Second Amended Term Loan Facility.

The Second Amended Term Loan Facility requires the Borrowers to make amortization payments (in quarterly installments) equal to 1.00% per annum with respect to the Second Amended Term Loan Facility with any remaining amount due at final maturity. The Second Amended Term Loan Facility principal payments commenced on March 31, 2017, with a final installment due on February 14, 2024. Voluntary prepayments are permitted, in whole or in part, subject to certain minimum prepayment requirements.

In addition, pursuant to the terms of the Second Amended Term Loan Facility, within 90 days after the end of each fiscal year, the Borrowers are required to make a prepayment of the loan principal in an amount equal to a percentage 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, 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. Pursuant to the terms of the Second Amended Term Loan Facility, our net leverage ratio was 2.5x at December 31, 2018, resulting in an excess cash flow percentage of 0% and therefore, no excess cash flow payment was due in March 2019.

As of September 30, 2019, the original issue discount balance was $1.5 million, net of accumulated amortization of $2.0 million and was recorded as a reduction to the principal amount of the Second Amended Term Loan Facility outstanding as

presented on the accompanying Condensed Consolidated Balance Sheets and will be amortized as a component of interest expense over the term of the Second Amended Term Loan Facility. In accordance with *ASU 2015-15 Interest—Imputation of Interest (Subtopic 835-30) Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line of Credit Arrangements,* deferred financing fees of $1.1 million, net of accumulated amortization of $2.2 million, are presented as a reduction to the Second Amended Term Loan Facility outstanding at September 30, 2019 as presented on the accompanying Condensed Consolidated Balance Sheets, and will be amortized as a component of interest expense over the term of the Second Amended Term Loan Facility.

The carrying value of the long-term debt approximates fair value at September 30, 2019 and December 31, 2018 and was derived from quoted market prices by independent dealers (Level 2 in the fair value hierarchy under *ASC 820, Fair Value Measurements and Disclosures*). The following are the maturities of our long-term debt as of September 30, 2019 (*amounts in thousands*):

| Year Ending December 31, | Amount |
|---|---|
| Remainder of 2019 | $ 533 |
| 2020 | 2,133 |
| 2021 | 2,133 |
| 2022 | 2,133 |
| 2023 and thereafter | 200,548 |
| Total | $ 207,480 |

**Note 9. Derivative instruments**

We use derivative financial instruments in the management of our interest rate exposure. Our strategy is to eliminate the cash flow risk on a portion of the variable rate debt caused by changes in the designated benchmark interest rate, LIBOR. The Company does not enter into or hold derivative financial instruments for speculative trading purposes.

On May 4, 2017, we entered into two identical pay-fixed, receive-variable, interest rate swaps with two different counterparties, to hedge the variability in the LIBOR interest payments on an aggregate notional value of $100.0 million of our Second Amended Term Loan Facility beginning May 31, 2017, through the expiration of the swaps on March 31, 2022. At inception, these interest rate swaps were designated as cash flow hedges of interest rate risk, and as such, the unrealized changes in fair value are recorded in accumulated other comprehensive income (“AOCI”).

The change in the fair value of the interest rate swap agreements for the three months ended September 30, 2019 and 2018, resulted in an unrealized loss of $0.4 million and an unrealized gain of $0.4 million, respectively, which were included in AOCI net of taxes. The change in the fair value of the interest rate swap agreements for the nine months ended September 30, 2019 and 2018, resulted in an unrealized loss of $2.8 million and an unrealized gain of $2.5 million, respectively, which were included in AOCI net of taxes. The Company received $0.1 million and $0.4 million of net interest on the settlement of the interest rate swap agreements for the three and nine months ended September 30, 2019, respectively. The Company received $0.0 million and paid $0.0 million of net interest on the settlement of interest rate swap agreements for the three and nine months ended September 30, 2018, respectively. As of September 30, 2019, the Company estimates that none of the unrealized loss included in AOCI related to these interest rate swap agreements will be realized and reported in operations within the next twelve months. No loss or gain was recorded in operations for the three and nine months ended September 30, 2019 and 2018, respectively.

The aggregate fair value of the interest rate swaps was $1.2 million and $1.6 million as of September 30, 2019 and December 31, 2018, respectively. These were recorded in Derivative liability in other long-term liabilities and Swap assets in other non-current assets, respectively, on the accompanying Condensed Consolidated Balance Sheets.

By entering into derivative instrument contracts, we are exposed to counterparty credit risk. Counterparty credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is in an asset position, the counterparty has a liability to us, which creates credit risk for us. We attempt to minimize this risk by selecting counterparties with investment grade credit ratings and regularly monitoring our market position with each counterparty. Our derivative instruments do not contain any credit-risk related contingent features.

**Note 10. Fair value measurements**

Our derivatives are valued using a discounted cash flow analysis that incorporates observable market parameters, such as interest rate yield curves, classified as Level 2 within the valuation hierarchy. Derivative valuations incorporate credit risk adjustments that are necessary to reflect the probability of default by us or the counterparty.

The following table presents our assets and liabilities measured at fair value on a recurring basis and the levels of inputs used to measure fair value, which include derivatives designated as cash flow hedging instruments, as well as their location on our accompanying Condensed Consolidated Balance Sheets as of September 30, 2019 and December 31, 2018 (*amounts in thousands*):

| Category | Balance Sheet Location | Estimated Fair Value September 30, 2019 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| *Cash flow hedges:* | | | | | |
| Interest rate swap | Other long-term liabilities | — | $1,165 | — | $1,165 |

| Category | Balance Sheet Location | Estimated Fair Value December 31, 2018 Level 1 | Level 2 | Level 3 | Total |
|---|---|---|---|---|---|
| *Cash flow hedges:* | | | | | |
| Interest rate swap | Other assets | — | $ 1,619 | — | $ 1,619 |

Certain non-financial assets and liabilities are measured at fair value on a nonrecurring basis. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to periodic impairment tests. These items primarily include long-lived assets, goodwill and other intangible assets. As of September 30, 2019, there were no changes to the fair value of non-financial assets and liabilities measured on a nonrecurring basis.

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

**Note 11. Stockholders' equity**

***Capital stock***

As of September 30, 2019, the Company had 20,256,791 shares of Class A common stock, and 19,720,381 shares of Class B common stock, issued and outstanding.

On June 20, 2017, the Company announced that its Board of Directors authorized the repurchase of up to $25.0 million of the Company's Class A common stock, par value $0.0001 per share ("Class A common stock"). Under the Company's stock repurchase program, management is authorized to purchase shares of the Company's common stock from time to time through open market purchases at prevailing prices, subject to stock price, business and market conditions and other factors. During the nine months ended September 30, 2019, the Company repurchased 51,227 shares of Class A common stock under the repurchase program for an aggregate purchase price of $0.6 million. As of September 30, 2019, the Company repurchased 2.0 million shares of Class A common stock under the repurchase program for an aggregate purchase price of $25.0 million, and the repurchased shares were recorded as treasury stock on the accompanying Condensed Consolidated Balance Sheets. As of June 30, 2019, the Company completed this stock repurchase program.

On August 15, 2018, the Company announced that its Board of Directors authorized the repurchase of up to an additional $25.0 million of the Company's Class A common stock on an opportunistic basis.

***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 to an aggregate of 7.2 million shares of our Class A common stock. At September 30, 2019, 1.2 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 May 16, 2026. The Company's board of directors, or a committee thereof, 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 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 (which need not be consecutive), 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 stockholder meeting.

***Stock-based compensation***

Stock-based compensation expense related to stock options and restricted stock was $2.2 million and $1.0 million for the three months ended September 30, 2019 and 2018, respectively, and $3.5 million and $3.0 million for the nine months ended September 30, 2019 and 2018, respectively. At September 30, 2019, there was $4.7 million of total unrecognized compensation cost related to unvested stock options, which is expected to be recognized over a weighted-average period of 2.5 years. At September 30,

2019, there was $6.1 million of total unrecognized compensation cost related to unvested restricted stock, which is expected to be recognized over a weighted-average period of 2.3 years.

***Stock options***

The fair value of stock options granted is estimated at the date of grant using the Black-Scholes option 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 granted 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 | Nine Months Ended September 30, 2019 | Year Ended December 31, 2018 |
|---|---|---|
| Risk-free interest rate | 1.6% | 2.7% - 3.0% |
| Dividend yield | — | — |
| Volatility | 40.3% | 39.0% - 41.0% |
| Weighted-average expected term (years) | 6.0 | 6.0 |

The following table summarizes stock option activity for the nine months ended September 30, 2019 *(shares and intrinsic value in thousands)*:

| | Number of shares | Weighted-average exercise price | Weighted-average remaining contractual term | Aggregate intrinsic value |
|---|---|---|---|---|
| Outstanding at December 31, 2018 | 2,910 | $ 11.62 | 5.6 | $ 2,806 |
| Granted | 1,025 | 12.06 | — | — |
| Exercised | (60) | 11.63 | — | — |
| Forfeited | — | — | — | — |
| Expired | (20) | 13.64 | — | — |
| Outstanding at September 30, 2019 | 3,855 | $ 11.72 | 6.3 | $ 3,122 |
| Vested at September 30, 2019 | 2,393 | $ 11.72 | 5.0 | $ 2,297 |
| Exercisable at September 30, 2019 | 2,393 | $ 11.72 | 5.0 | $ 2,297 |

At September 30, 2019, 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.

The following table summarizes restricted share activity for the nine months ended September 30, 2019 (*shares in thousands*):

| | Number of shares | Weighted-average grant date fair value |
|---|---|---|
| Outstanding at December 31, 2018 | 370 | $ 9.86 |
| Granted | 581 | 12.37 |
| Vested | (184) | 11.88 |
| Forfeited | — | — |
| Outstanding at September 30, 2019 | 767 | $ 11.28 |

At September 30, 2019, 0.2 million shares of restricted stock issued were unvested, event-based shares.

**Note 12. Contingencies**

We are involved in various legal actions, generally related to our operations. Management believes, based on advice from legal counsel, that the outcomes of such legal actions will not adversely affect our financial condition.

**Note 13. Leases**

On January 1, 2019, we adopted Financial Accounting Standards Board ("the FASB") ASC Topic 842, Leases (ASC 842) (the "new lease standard"), using a modified retrospective transition approach with application as of the effective date of initial application without restating comparative period financial statements. The core principle of the new lease standard is that a lessee

should recognize the assets and liabilities that arise from leases, including operating leases, in the statement of financial position. We measure our lease liabilities as the present value of remaining lease payments using our incremental borrowing rate applicable to the lease term as the discount rate. We elected to apply the package of practical expedients to our adoption of the new lease standard, which includes allowing us to continue utilizing historical classification of leases. We did not elect the practical expedient that permits a reassessment of lease terms for existing leases.

The Company is a lessee under leases for land, office space and equipment with third parties, all of which are accounted for as operating leases. These leases generally have an initial term of one to seven years and provide for fixed monthly payments. Some of these leases provide for future rent escalations and renewal options and certain leases also obligate us to pay the cost of maintenance, insurance and property taxes. Operating lease cost was $0.2 million and $0.6 million for the three months ended September 30, 2019 and 2018, respectively. Operating lease cost was $0.5 million and $1.7 million for the nine months ended September 30, 2019 and 2018, respectively.

A summary of the classification of operating leases on our Condensed Consolidated Balance Sheet as of September 30, 2019 (*amounts in thousands*):

| | | September 30, 2019 |
|---|---|---|
| Operating lease right-of-use assets | | $ 1,962 |
| Operating lease liability, current | (Other accrued expenses) | 671 |
| Operating lease liability, non-current | (Other long-term liabilities) | $ 1,692 |

Components of lease cost reflected in our Condensed Consolidated Statement of Operations for the three and nine months ended September 30, 2019 (*amounts in thousands*):

| | Three Months Ended September 30, 2019 | Nine Months Ended September 30, 2019 |
|---|---|---|
| Operating lease cost | $ 172 | $ 488 |
| Short-term lease cost | 65 | 175 |
| Total lease cost | $ 237 | $ 663 |

A summary of weighted-average remaining lease term and weighted-average discount rate as of September 30, 2019:

| | |
|---|---|
| Weighted-average remaining lease term | 4.3 years |
| Weighted average discount rate | 6.9% |

Supplemental cash flow and other non-cash information for the nine months ended September 30, 2019 (*amounts in thousands*):

| | |
|---|---|
| Operating cash flows from operating leases | $ 428 |
| Operating lease right-of-use assets obtained in exchange for new operating lease liabilities | 393 |

Future annual minimum lease commitments as of September 30, 2019 were as follows (*amounts in thousands*):

| | September 30, 2019 |
|---|---|
| Remainder of 2019 | $ 352 |
| 2020 | 610 |
| 2021 | 591 |
| 2022 | 473 |
| 2023 | 715 |
| Total minimum payments | $ 2,741 |
| Less: amount representing interest | (378) |
| Lease liability | $ 2,363 |

The Company adopted ASU 2016-02 on January 1, 2019 as noted above, and as required, the future annual minimum lease commitments as of December 31, 2018 are provided below (*in thousands*):

| | December 31, 2018 |
|---|---|
| 2019 | $ 1,571 |
| 2020 | 367 |
| 2021 | 350 |
| 2022 | 355 |
| 2023 | 302 |
| Total minimum payments | $ 2,945 |

**Note 14. Commitments**

The Company has other commitments in addition to the various operating leases included in Note 13, “Leases” of Notes to Condensed Consolidated Financial Statements, primarily programming.

Future minimum payments as of September 30, 2019, are as follows *(amounts in thousands)*:

| | September 30, 2019 |
|---|---|
| Remainder of 2019 | $ 4,996 |
| 2020 | 11,170 |
| 2021 | 4,686 |
| 2022 | 1,306 |
| 2023 and thereafter | 184 |
| Total | $ 22,342 |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### OVERVIEW

### Our Company

We are a leading U.S. Spanish-language media company serving the fast growing and highly attractive U.S. Hispanic and Latin American markets with broadcast and cable television networks and digital content platforms including five Spanish-language cable television networks distributed in the U.S., two Spanish-language cable television networks distributed in Latin America, the #1-rated broadcast television network in Puerto Rico, the #3-rated broadcast television network in Colombia, a Spanish-language OTT video subscription service distributed in the U.S. and a leading distributor of content to television and digital media platforms in Latin America.

Headquartered in Miami, Florida, our portfolio consists of the following:

- *Cinelatino:* the leading Spanish-language cable movie network with over 20 million subscribers across the U.S., Latin America and Canada. Cinelatino is programmed with a lineup featuring the best contemporary films and original television series from Mexico, Latin America, and the United States. Driven by the strength of its programming and distribution, Cinelatino is the #2-Nielsen rated Spanish-language cable television entertainment network in the U.S. overall, based on coverage ratings.

- *WAPA:* the leading broadcast television network and television content producer in Puerto Rico. WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement nine years ago. WAPA is Puerto Rico's news leader and the largest local producer of news and entertainment programming, producing nearly 70 hours in the aggregate each week. Through its multicast signal, WAPA distributes WAPA Deportes, a leading sports television network in Puerto Rico, featuring *Major League Baseball (MLB), National Basketball Association (NBA)* and professional sporting events from Puerto Rico. Additionally, we operate WAPA.TV, a leading news and entertainment website in Puerto Rico, featuring content produced by WAPA.

- *WAPA America:* a cable television network serving primarily Puerto Ricans and other Caribbean Hispanics living in the U.S. WAPA America's programming features news and entertainment programming produced by WAPA. WAPA America is distributed in the U.S. to approximately 4.3 million subscribers, excluding digital basic subscribers.

- *Pasiones:* a cable television network dedicated to showcasing the most popular telenovelas and serialized dramas, distributed in the U.S. and Latin America. Pasiones features top-rated telenovelas from Latin America, Turkey, India, and Korea (dubbed into Spanish), and is currently the highest rated cable television network devoted to telenovelas in prime time. Pasiones has over 21 million subscribers across the U.S. and Latin America.

- *Centroamerica TV:* a cable television network targeting Central Americans living in the U.S., the third largest U.S. Hispanic group and the fastest growing segment of the U.S. Hispanic population. Centroamerica TV features the most popular news and entertainment from Central America, as well as soccer programming from the top professional soccer leagues in the region. Centroamerica TV is distributed in the U.S. to approximately 4.1 million subscribers.

- *Television Dominicana:* a cable television network targeting Dominicans living in the U.S., the fourth largest U.S. Hispanic group. Television Dominicana airs the most popular news and entertainment from the Dominican Republic, as well as the Dominican Republic professional baseball league featuring current and former players from Major League Baseball. Television Dominicana is distributed in the U.S. to approximately 2.4 million subscribers.

- *Canal 1:* the #3-rated broadcast television network in Colombia. We own a 40% interest in Canal 1 in partnership with leading producers of news and entertainment content in Colombia. The partnership was awarded a 10-year renewable broadcast television concession in 2016. In July 2019, the Columbian government enacted legislation resulting in the extension of the concession license for an additional ten years for no additional consideration. The concession is now due to expire on April 30, 2037 and is renewable for an additional 20-year period. The partnership began operating Canal 1 on May 1, 2017 and launched a new programming lineup on August 14, 2017.

- *Pantaya:* is the first-ever premium streaming destination for world-class movies in Spanish-language offering the largest selection of current and classic, commercial-free blockbusters and critically acclaimed titles from Latin America and the

U.S. including content from our library, Pantelion's U.S. theatrical titles, Lionsgate's movie library, and Grupo Televisa's theatrical releases in Mexico, as well as, original productions. The service launched in August 2017. We own a 25% interest in Pantaya in partnership with Lionsgate.

- *Snap Media:* a distributor of content to broadcast and cable television networks and OTT/SVOD platforms in Latin America. On November 26, 2018, we acquired a 75% interest in Snap Media, and in connection with the acquisition, Snap Media entered into a joint venture with MarVista, an independent entertainment studio and a shareholder of Snap Media, to produce original movies and series. Snap Media is responsible for the distribution of content owned and/or controlled by our Networks, as well as content to be produced by the production joint venture between Snap Media and MarVista.

- *REMEZCLA:* a digital media company targeting English speaking and bilingual U.S. Hispanic millennials through innovative content. On April 28, 2017, we acquired a 25.5% interest in REMEZCLA.

Our two primary sources of revenues are advertising revenues and affiliate revenues. All of our Networks derive revenues from advertising. Advertising revenues are generated from the sale of advertising time, which is typically sold pursuant to advertising orders with advertisers providing for an agreed upon advertising commitment and price per spot. Our advertising revenues are tied to the success of our programming, including the popularity of our programming as measured by Nielsen. Our advertising is variable in nature and tends to reflect seasonal patterns of our advertisers' demand, which is generally greatest during the fourth quarter of each year, driven by the holiday buying season. In addition, Puerto Rico's political election cycle occurs every four years and we benefit from increased advertising sales in an election year. For example, in 2016, we experienced higher advertising revenue as a result of political advertising spending during the 2016 gubernatorial elections. The next election in Puerto Rico will be in 2020.

All of our Networks receive fees paid by distributors, including cable, satellite and telecommunications service providers. These revenues are generally based on a per subscriber fee pursuant to multi-year contracts, commonly referred to as "affiliation agreements," which typically provide for annual rate increases. The specific affiliate revenues we earn vary from period to period, distributor to distributor and also vary among our Networks, but are generally based upon the number of each distributor's paying subscribers who receive our Networks. The terms of certain non-U.S. affiliation agreements provide for payment of a fixed contractual monthly fee. Changes in affiliate revenues are primarily derived from changes in contractual affiliation rates charged for our Networks and changes in the number of subscribers. Accordingly, we continually review the quality of our programming to ensure that it is maximizing our Networks' viewership and giving our Networks' subscribers a premium, high-value experience. The continued growth in our affiliate revenues will, to a certain extent, be dependent on the growth in subscribers of the cable, satellite and telecommunication service providers distributing our Networks, new system launches and continued carriage of our channels by our distribution partners. Our revenues also benefit from contractual rate increases stipulated in most of our affiliation agreements.

WAPA has been the #1-rated broadcast television network in Puerto Rico since the start of Nielsen audience measurement nine years ago and management believes it is highly valued by its viewers and Distributors. WAPA is distributed by all pay-TV distributors in Puerto Rico and has been successfully growing affiliate revenues. WAPA's primetime household rating in 2018, which because of Hurricanes Irma and Maria, is measured beginning as of May 1, 2018, was four times higher than the most highly rated English-language U.S. broadcast network in the U.S., NBC, and higher than the combined ratings of CBS, NBC, ABC, FOX and the CW. As a result of its ratings success since the start of Nielsen audience measurement, management believes WAPA is well positioned for future growth in affiliate revenues.

WAPA America, Cinelatino, Pasiones, Centroamerica TV and Television Dominicana occupy a valuable and unique position, as they are among the small group of Hispanic cable networks to have achieved broad distribution in the U.S. As a result, management believes our U.S. cable networks are well-positioned to benefit from growth in both the growing national advertising spend targeted at the highly sought-after U.S. Hispanic cable television audience, and growth in subscribers, as the U.S. Hispanic population continues its long-term upward trajectory.

The U.S. Census Bureau estimated that over 58 million Hispanics resided in the United States in 2017, representing an increase of more than 23 million people between 2000 and 2017, and that number is projected to grow to 75 million by 2030. U.S. Hispanic television households grew by 26% during the period from 2010 to 2019, from 12.9 million households to 16.2 million households. Hispanic pay-TV subscribers increased 4% since 2010 to 11.2 million subscribers in 2019. As a result, our U.S. cable networks total subscribers grew by 4% from December 31, 2017 to December 31, 2018, compared to a 4% decline in overall U.S. pay-TV subscribers over the same time period. The continued long-term growth of Hispanic television households and pay-TV subscribers creates a significant opportunity for all of our cable networks. Hispanics represent over 18% of the total U.S. population and over 10% of the total U.S. buying power, yet the aggregate media spend targeted at U.S. Hispanics significantly under-indexes both of these metrics. As a result, advertisers have been allocating a higher proportion of marketing dollars to the Hispanic market. However, U.S. Hispanic cable advertising spending still under-indexes relative to its viewing share, which we believe is a growth opportunity for us as we continue to demonstrate value to advertisers looking for exposure to this market.

Similarly, management expects Cinelatino and Pasiones to benefit from significant growth in Latin America. Fueled by a sizeable and growing population, rising disposable incomes and investments in network infrastructure resulting in improved service

and performance, pay-TV subscribers in Latin America (excluding Brazil) grew by 32% from 2013 to 2018, and are projected to grow from 57 million in 2018 to 67 million in 2022, representing projected growth of 18%. Furthermore, Cinelatino and Pasiones are each presently distributed to only 30% and 28%, respectively, of total pay-TV subscribers throughout Latin America (excluding Brazil).

MVS, one of our stockholders, provides operational, technical and distribution services to Cinelatino pursuant to several agreements. An agreement that had granted MVS the non-exclusive right to distribute the service to third-party distributors in Mexico, pursuant to which MVS collects affiliate fees and remits those fess to Cinelatino net of MVS's distribution fee.

In November 2018, an agreement between Cinelatino and Dish Mexico (an affiliate of MVS), pursuant to which Dish Mexico distributes Cinelatino, and pays subscriber fees to Cinelatino, was renewed and extended until February 28, 2022.

**Comparison of Consolidated Operating Results for the Three and Nine Months Ended September 30, 2019 and 2018**
**(Unaudited)**
**(amounts in thousands)**

| | Three Months Ended September 30, | | $ Change Favorable/ (Unfavorable) | % Change Favorable/ (Unfavorable) | Nine Months Ended September 30, | | $ Change Favorable/ (Unfavorable) | % Change Favorable/ (Unfavorable) |
|---|---|---|---|---|---|---|---|---|
| | 2019 | 2018 | | | 2019 | 2018 | | |
| **Net revenues** | $ 35,846 | $ 37,239 | $ (1,393) | (3.7)% | $ 110,103 | $ 101,065 | $ 9,038 | 8.9% |
| **Operating expenses:** | | | | | | | | |
| Cost of revenues | 10,445 | 11,039 | 594 | 5.4% | 31,976 | 31,300 | (676) | (2.2)% |
| Selling, general and administrative | 11,869 | 11,095 | (774) | (7.0)% | 33,583 | 32,787 | (796) | (2.4)% |
| Depreciation and amortization | 2,581 | 4,023 | 1,442 | 35.8% | 9,204 | 12,040 | 2,836 | 23.6% |
| Other expenses | 530 | 193 | (337) | NM | 1,183 | 967 | (216) | (22.3)% |
| Gain from FCC spectrum repack and other | (154) | (936) | (782) | (83.5)% | (1,661) | (974) | 687 | 70.5% |
| Total operating expenses | 25,271 | 25,414 | 143 | 0.6% | 74,285 | 76,120 | 1,835 | 2.4% |
| | | | | | | | | |
| Operating income | 10,575 | 11,825 | (1,250) | (10.6)% | 35,818 | 24,945 | 10,873 | 43.6% |
| | | | | | | | | |
| Other expenses, net: | | | | | | | | |
| Interest expense, net | (3,113) | (3,073) | (40) | (1.3)% | (9,078) | (8,976) | (102) | (1.1)% |
| Loss on equity method investments | (6,888) | (8,657) | 1,769 | 20.4% | (24,048) | (27,278) | 3,230 | 11.8% |
| Gain from insurance proceeds | — | 2,080 | (2,080) | (100)% | — | 2,080 | (2,080) | (100)% |
| Total other expenses, net | (10,001) | (9,650) | (351) | (3.6)% | (33,126) | (34,174) | 1,048 | 3.1% |
| Income (loss) before income taxes | 574 | 2,175 | (1,601) | (73.6)% | 2,692 | (9,229) | 11,921 | NM |
| Income tax expense | (3,743) | (3,229) | (514) | (15.9)% | (9,942) | (4,490) | (5,452) | NM |
| **Net loss** | (3,169) | (1,054) | (2,115) | NM | (7,250) | (13,719) | 6,489 | 47.2% |
| Net loss attributable to non-controlling interest | — | — | — | — | 37 | — | 37 | NM |
| **Net loss attributable to Hemisphere Media Group, Inc.** | $ (3,169) | $ (1,054) | $ (2,115) | NM | $ (7,213) | $ (13,719) | $ 6,506 | 47.4% |

NM = Not meaningful

**Net Revenues**

Net revenues were $35.8 million for the three months ended September 30, 2019, a decrease of $1.4 million, or 4%, as compared to $37.2 million for the comparable period in 2018, due to a decrease in advertising revenue, which was partially offset by an increase in affiliate fees. Advertising revenue decreased $2.1 million, or 13%, due to (i) the interruption to the Puerto Rico advertising market caused by the political unrest including the resignation of the Governor, (ii) the timing of *Miss Universe Puerto Rico*, which was televised in the second quarter of 2019 as compared to the third quarter of 2018 and (iii) softness in the U.S. direct response

advertising market, which adversely impacted our cable networks. Affiliate revenue increased $0.7 million, or 4%, due to rate increases and the launch of Pasiones on Spectrum.

Net revenues were $110.1 million for the nine months ended September 30, 2019, an increase of $9.0 million, or 9%, as compared to $101.1 million for the comparable period in 2018, due to increases across all of our revenue streams. Affiliate fees increased $5.6 million, or 10%, primarily due to annual rate increases and subscriber growth. Advertising revenue increased $2.1 million, or 5%, primarily due to favorable comparison with the first quarter of the prior year period, which was negatively impacted by Hurricane Maria. Other revenue increased $1.3 million, driven by higher licensing revenue from our content library and revenue contributed by Snap Media, which was acquired in November 2018.

The following table presents estimated subscriber information:

| | Subscribers (a) (amounts in thousands) | | |
|---|---|---|---|
| | September 30, 2019 | December 31, 2018 | September 30, 2018 |
| **U.S. Cable Networks:** | | | |
| WAPA America (b) | 4,290 | 4,417 | 4,508 |
| Cinelatino | 4,497 | 4,639 | 4,745 |
| Pasiones | 4,739 | 4,360 | 4,573 |
| Centroamerica TV | 4,126 | 4,276 | 4,358 |
| Television Dominicana | 2,396 | 2,273 | 2,229 |
| **Total** | **20,048** | **19,965** | **20,413** |
| | | | |
| **Latin America Cable Networks:** | | | |
| Cinelatino | 16,165 | 16,769 | 16,365 |
| Pasiones | 16,686 | 15,958 | 16,004 |
| **Total** | **32,851** | **32,727** | **32,369** |

(a) Amounts presented are based on most recent remittances received from our Distributors as of the respective dates shown above, which are typically two months prior to the dates shown above.

(b) Excludes digital basic subscribers

**Operating Expenses**

*Cost of Revenues:* Cost of revenues consists primarily of programming and production costs, programming amortization and distribution costs. Cost of revenues for the three months ended September 30, 2019, were $10.4 million, a decrease of $0.6 million, or 5%, compared to $11.0 million in the comparable period in 2018. Cost of revenues for the nine months ended September 30, 2019, were $32.0 million, an increase of $0.7 million, or 2%, compared to $31.3 million in the comparable period in 2018. The decrease in the three months ended September 30, 2019, was due to lower programming and production expenses as a result of the timing of *Miss Universe Puerto Rico*, which was produced and broadcast in the second quarter of 2019 as compared to the third quarter of 2018. The increase in the nine months ended September 30, 2019, was due to higher programming and production expenses, driven by (i) an unfavorable comparison with the prior year period, as WAPA implemented cost savings measures following Hurricane Maria, (ii) the launch by WAPA of a new reality series, *Guerreros*, and (iii) increased sports rights fees, partially offset by tower rental costs incurred in the prior year period to replace a tower damaged by Hurricane Maria, which the Company did not incur in the current year period.

*Selling, General and Administrative:* Selling, general and administrative expenses consist principally of promotion, marketing and research, stock-based compensation, employee costs, occupancy costs and other general administrative costs. Selling, general and administrative expenses for the three months ended September 30, 2019, were $11.9 million, an increase of $0.8 million, or 7%, compared to $11.1 million for the comparable period in 2018, and for the nine months ended September 30, 2019, were $33.6 million, an increase of $0.8 million, or 2%, compared to $32.8 million for the comparable period in 2018. These increases were due to higher stock-based compensation and higher marketing expenses, partially offset by the recovery of bad debt.

*Depreciation and Amortization:* Depreciation and amortization expense consists of depreciation of fixed assets and amortization of intangibles. Depreciation and amortization expense for the three months ended September 30, 2019, were $2.6 million, a decrease of $1.4 million, compared to $4.0 million for the comparable period in 2018, and for the nine months ended September 30,

2019, were $9.2 million, a decrease of $2.8 million, compared to $12.0 million for the comparable period in 2018. These decreases were due to certain intangible assets that were fully amortized during the first quarter of 2019.

*Other Expenses:* Other expenses include legal, financial advisory and other fees incurred in connection with acquisitions and corporate finance activities, including debt and equity financings. Other expenses for the three and nine months ended September 30, 2019, increased $0.3 million and $0.2 million, respectively.

*Gain from FCC spectrum repack and other*: Gain from FCC spectrum repack and other primarily reflects reimbursements we have received from the FCC for equipment we have purchased as a result of the FCC mandated spectrum repack, and gain or loss from the sale of assets. For the three months ended September 30, 2019, decreased $0.8 million and for the nine months ended September 30, 2019, increased $0.7 million due to the timing of reimbursements received from the FCC for equipment purchases required as a result of the FCC mandated spectrum repack.

**Other Expenses, net**

*Interest Expense, net*: Interest expense for each of the three and nine months ended September 30, 2019, was flat as compared to prior year periods.

*Loss on Equity Method Investments*: Loss on equity method investments for the three months ended September 30, 2019, improved by $1.8 million, or 20%, and for the nine months ended September 30, 2019, improved by $3.2 million, or 12%. The improvement in both periods was due to lower losses at Pantaya and higher income at Remezcla. The improvement in the nine month period was offset in part by higher losses at Canal 1. Our pick up of losses at Pantaya declined due to inception to date losses exceeding our funding commitment, and as a result, we have not recognized our share of the losses following the three month period ended March 31, 2019. For more information, see Note 6, “Equity method investments” of Notes to Condensed Consolidated Financial Statements, included elsewhere in this Quarterly Report.

*Gain from insurance proceeds*: Gain from insurance proceeds reflects net proceeds received in connection with our property insurance policies covering equipment damaged during Hurricane Maria. Gain from insurance proceeds for each of the three and nine months ended September 30, 2019, decreased $2.1 million due to the timing of net proceeds received in the prior year periods.

**Income Tax Expense**

Income tax expense for the three and nine months ended September 30, 2019, increased $0.5 million and $5.5 million, respectively. The increase for the three month period is due to tax expense of $0.8 million in the current period related to adjustments to the 2018 tax return as a result of a decrease in the foreign tax credit utilization, as compared to the prior year period, which included a benefit of $0.5 million related to hurricane relief credits and an increase to foreign tax credit utilization. The increase for the nine months ended September 30, 2019, was primarily due to higher income. For more information, see Note 7, “Income taxes” of Notes to Condensed Consolidated Financial Statements, included elsewhere in this Quarterly Report.

**Net Loss**

Net loss for the three months ended September 30, 2019, was $3.2 million, an increase of $2.1 million, compared to $1.1 million in the comparable period in 2018. Net loss for the nine months ended September 30, 2019, was $7.3 million, an improvement of $6.5 million, compared to $13.7 in the comparable period in 2018.

**Net Loss Attributable to Non-controlling Interest**

Net loss attributable to non-controlling interest for the three and nine months ended September 30, 2019, was $0 million and $0.0 million, respectively, related to the 25% interest in Snap Media held by minority shareholders. Snap Media was acquired in November 2018, and therefore there was no net income or loss attributable to non-controlling interest for the three and nine months ended September 30, 2019.

**Net Loss Attributable to Hemisphere Media Group, Inc.**

Net loss attributable to Hemisphere Media Group, Inc. for the three months ended September 30, 2019, was $3.2 million, an increase of $2.1 million, compared to $1.1 million in the comparable period in 2018. Net loss attributable to Hemisphere Media Group, Inc. for the nine months ended September 30, 2019, was $7.2 million, an improvement of $6.5 million, compared to $13.7 million in the comparable period in 2018.

**OFF-BALANCE SHEET ARRANGEMENTS**

We do not have any off-balance sheet financing arrangements.

**LIQUIDITY AND CAPITAL RESOURCES**

***Sources and Uses of Cash***

Our principal sources of cash are cash on hand and cash flows from operating activities. At September 30, 2019, we had $85.2 million of cash on hand. Our primary uses of cash include the production and acquisition of programming, operational costs, personnel costs, equipment purchases, principal and interest payments on our outstanding debt and income tax payments, and cash may be used to fund investments, acquisitions and repurchases of common stock.

Management believes cash on hand and cash flow from operations will be sufficient to meet our current contractual financial obligations and to fund anticipated working capital and capital expenditure requirements for existing operations. Our current financial obligations include maturities of debt, operating lease obligations and other commitments from the ordinary course of business that require cash payments to vendors and suppliers.

***Cash Flows***

| Amounts in thousands: | Nine Months Ended September 30, 2019 | 2018 |
|---|---|---|
| Cash provided by (used in): | | |
| Operating activities | $ 24,045 | $ 20,555 |
| Investing activities | (30,609) | (44,365) |
| Financing activities | (2,687) | (4,557) |
| Net decrease in cash | $ (9,251) | $ (28,367) |

***Comparison for the Nine Months Ended September 30, 2019 and September 30, 2018***

**Operating Activities**

Cash provided by operating activities is defined as changes in net income (loss), adjusted for non-cash items and changes in working capital. Non-cash items consist primarily of depreciation of property and equipment, amortization of intangibles, programming amortization, amortization of deferred financing costs, stock-based compensation expense and provision for bad debts.

Net cash provided by operating activities for the nine months ended September 30, 2019, was $24.0 million, an increase of $3.5 million, as compared to $20.6 million in the prior year period, due primarily to a $6.5 million improvement in net loss, offset by a $2.9 million decrease in non-cash items and a $0.1 million decrease in net working capital. Non-cash items decreased primarily as a result of an improvement in loss on equity method investments of $3.2 million, a decrease in depreciation and amortization expense of $2.8 million, and an increase in gain from FCC spectrum repack of $1.1 million, offset in part by a decrease in gain from insurance proceeds of $2.1 million, and increases in programming amortization of $1.3 million, and stock-based compensation of $0.6 million. The decrease in net working capital was driven by an increase in prepaids and other current assets of $4.8 million, and decreases in other accrued expenses of $3.6 million, income taxes payable of $2.3 million, programming rights payable of $2.2 million, due to related parties of $1.8 million, and accounts payable of $1.2 million, offset in part by decreases in accounts receivable of $8.8 million, programming rights of $5.5 million and an increase in other liabilities of $1.5 million.

**Investing Activities**

Net cash used in investing activities for the nine months ended September 30, 2019, was $30.6 million, a decrease of $13.8 million as compared to $44.4 million in the prior year period. The decrease is due to lower funding of equity investments of $9.6 million, a decline in capital expenditures of $5.1 million and increased proceeds received from the FCC related to the spectrum repack of $1.1 million, offset in part by insurance proceeds received in the prior year period of $2.1 million.

**Financing Activities**

Net cash used in financing activities for the nine months ended September 30, 2019, was $2.7 million, a decrease of $1.9 million as compared to $4.6 million in the prior year period. The decrease is due to lower debt principle payments in the current year period of $0.5 million due to the excess cash flow payment made in the prior year first quarter pursuant to the Second Amended Term Loan Facility, which the Company was not obligated to make in the current year, and a decrease in repurchases of our Class A common stock of $1.3 million. For more information, see Note 8, “Long-term debt” and Note 11, “Stockholders’ equity” of Notes to Condensed Consolidated Financial Statements, included elsewhere in this Quarterly Report.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Not applicable.

**ITEM 4. CONTROLS AND PROCEDURES**

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated our disclosure controls and procedures, as of September 30, 2019. Our Chief Executive Officer and Chief Financial Officer concluded that, as of September 30, 2019, our disclosure controls and procedures were effective to ensure that all information required to be disclosed is recorded, processed, summarized and reported within the time periods specified, and that information required to be filed in the reports that we file or submit under the Securities Exchange Act of 1934 (the "Exchange Act") is accumulated and communicated to our management, including our principal executive and principal financial officers, to allow timely decisions regarding required disclosure.

Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error and mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of controls.

The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may become inadequate because of changes in conditions or because the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected.

*Changes in Internal Controls*

There were no changes to the Company's internal controls over financial reporting (as defined in Exchange Act Rule 13a-15(f)) during the period covered by this report that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

From time to time, we or our subsidiaries may become involved in various lawsuits and legal proceedings which arise in the ordinary course of business. However, litigation is subject to inherent uncertainties and determination as to the amount of the accrual required for such contingencies is highly subjective and requires judgments about future events. An adverse result in these or other matters may arise from time to time that may harm our Business. Neither we nor any of our subsidiaries are presently a party to any material litigation, nor to the knowledge of management is any litigation threatened against us or our subsidiaries, which may materially affect us.

**ITEM 1A. RISK FACTORS**

You should carefully consider the risk factors included in our Annual Report on Form 10-K for the year ended December 31, 2018, in addition to other information included in this Quarterly Report on Form 10-Q, including under the section entitled, "Forward-Looking Statements," and in other documents we file with the SEC, in evaluating our Company and our Business. If any of the risks occur, our Business, financial condition, liquidity and results of operations could be materially adversely affected. We caution the reader that these risk factors may not be exhaustive. We operate in a continually changing business environment and new risks emerge from time to time. Management cannot predict such new risk factors, nor can we assess the impact, if any, of such new risk factors on our Business or the extent to which any factor or combination of factors may impact our Business. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our Business, financial condition and/or operating results.

There have not been any material changes during the quarter ended September 30, 2019 from the risk factors disclosed in our Annual Report on Form 10-K for the year ended December 31, 2018.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**ITEM 5. OTHER INFORMATION**

None.

**ITEM 6. EXHIBITS**

The exhibits listed on the accompanying Exhibit Index are filed, furnished or incorporated by reference (as stated therein) as part of this Quarterly Report.

**Exhibit Index**

| Exhibit No. | Description of Exhibit |
|---|---|
| 10.1‡ | Amended and Restated Consulting Agreement, dated as of August 13, 2019, by and between the Company and James M. McNamara (filed herewith) |
| 10.2‡ | Amended and Restated Employment Agreement, dated as of August 13, 2019, by and between Hemisphere Media Group, Inc. and Alex J. Tolston (filed herewith) |
| 31.1 | Certification of Chief Executive Officer required by Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 31.2 | Certification of Chief Financial Officer required by Rule 13a-14(a)/15d-14(a) under the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith) |
| 32.1* | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 32.2* | Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith) |
| 101.INS | XBRL Instance Document |
| 101.SCH | XBRL Taxonomy Extension Schema |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase |
| 101.DEF | XBRL Taxonomy Extension Definition Document |

* A signed original of the written statement required by Section 906 has been provided to the Company and will be retained by the Company and forwarded to the SEC or its staff upon request.

‡ Indicates management contract or compensatory plan, contract or arrangement.

**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.

HEMISPHERE MEDIA GROUP, INC.

DATE: November 7, 2019

By: /s/ Alan J. Sokol
Alan J. Sokol
Chief Executive Officer and President
(Principal Executive Officer)

DATE: November 7, 2019

By: /s/ Craig D. Fischer
Craig D. Fischer
Chief Financial Officer
(Principal Financial and Accounting Officer)

**Exhibit 10.1**

**EXECUTION COPY**

AMENDED AND RESTATED CONSULTING AGREEMENT (the "Agreement") dated as of August 13, 2019, between Hemisphere Media Group, Inc., a Delaware corporation (the "Company"), and James M. McNamara ("Consultant").

WHEREAS, Consultant currently provides consulting services for the Company;

WHEREAS, the Company and Consultant are parties to a Consulting Agreement, dated as of June 20, 2013, as amended and restated on November 16, 2016 (the "Original Consulting Agreement");

WHEREAS, the parties desire to amend and restate the Original Consulting Agreement such that Consultant's provision of services to the Company continues on the terms and conditions set forth herein, effective as of April 9, 2016; and

WHEREAS Consultant's agreement to enter into this Agreement and be bound by the terms hereof, including the restrictive covenants herein, is a material inducement to the Company's willingness to grant stock options and restricted stock to Consultant and the Company would not otherwise grant such stock options and restricted stock to Consultant if Consultant did not agree to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as set forth below:

1. Term. (a) Subject to earlier termination pursuant to Section 4, the term of this Agreement shall be effective as of April 9, 2019 (the "Effective Date"), and shall continue until the three (3) year anniversary of the Effective Date. The period of time from the Effective Date through the termination of this Agreement is hereinafter referred to as the "Term".

(b) For purposes of this Agreement, the following terms, as used herein, shall have the definitions set forth below.

"Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person, provided that, in any event, any business in which the Company has any direct or indirect ownership interest shall be treated as an Affiliate of the Company.

"Control" (including, with correlative meanings, the terms "Controlled by" and "under common Control with"), as used with respect to any Person, means the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Governmental Entity" means any national, state, county, local, municipal or other government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality.

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, Governmental Entity, unincorporated entity or other entity.

"Plan" means the Hemisphere Media Group, Inc. Amended and Restated 2013 Equity Incentive Plan.

2. Services; Place of Engagement; Independent Contractor Status. (a) During the Term, Consultant agrees to provide the Company with the services set forth and described on Exhibit A to this Agreement (the "Services"). Consultant hereby agrees to perform the Services upon the terms and conditions of this Agreement. During the Term, Consultant shall use Consultant's good faith efforts to faithfully and diligently perform the Services and shall not act in any capacity that is in conflict with Consultant's Services hereunder. During the Term, Consultant shall report directly to the Board of Directors of the Company (the "Board") and the Chief Executive Officer of the Company. Consultant agrees that he will comply with the Company's established policies, protocols and security requirements of which Consultant is aware.

(b) Consistent with and subject to Consultant's duties and obligations under this Agreement, Consultant may perform services for, or accept engagements by, additional persons or entities as Consultant sees fit; provided that Consultant's provision of the Services hereunder shall be his first priority vis-à-vis such other persons or entities; provided, further, that during the Term, Consultant will not, directly or indirectly, be employed by or otherwise render services to any person or entity that competes with the Company or any of its subsidiaries as provided in Section 5 hereof, or that materially interferes with the provision of the Services by Consultant.

(c) Consultant acknowledges that Consultant's duties and responsibilities shall require Consultant to travel on business to the extent necessary to fully perform Consultant's duties and responsibilities hereunder, and in connection therewith, Consultant shall visit any reasonable location, to provide the Services hereunder.

(d) Consultant acknowledges that (i) Consultant is an independent contractor of the Company and not an employee of the Company or any of its Affiliates, and nothing contained in this Agreement shall be construed to imply a joint venture, partnership or principal-agent or employment relationship between the Company or any of its Affiliates, on the one hand, and Consultant, on the other hand, (ii) other than in his capacity as a member of the Board, Consultant shall not have any right to act for, represent or otherwise bind the Company or any of its Affiliates in any manner and (iii) except as otherwise provided herein, neither Consultant nor any of his employees or service providers shall be entitled to participate in any employee benefit plans or programs of the Company or any of its Affiliates.

3. Consulting Fees; Other Compensation. During the Term, for all Services rendered under this Agreement, Consultant shall receive the Consulting Fees and other remuneration as set forth on Exhibit B to this Agreement, in accordance with the documentation and payment terms set forth on Exhibit B.

4. Termination of Services.

(a) Consultant's Services may be terminated by either party at any time and for any reason or no reason upon at least 30 days advance written notice to the other party hereto; provided, however, that the Company may terminate this Agreement immediately for Cause. Notwithstanding the foregoing, Consultant's services shall automatically terminate upon Consultant's death.

(b) Except as otherwise provided herein, upon termination of Consultant's services hereunder, the Company shall have no further obligation to provide compensation to Consultant

hereunder except for payment of any accrued but unpaid Consulting Fees and reimbursement for anyreasonable out of pocket expenses properly incurred in connection with the Services through the date Consultant's Services are terminated.

(c) (i) In the event that the Consultant's Services are terminated by the Company for any reason other than death, Disability or Cause, or in the event that Consultant terminates the Services with Good Reason, Consultant shall be entitled to receive (i) a lump sum payment equal to the remaining amount of Consulting Fees owed to Consultant through the end of the Term (the "Severance Amount"); provided that the Severance Amount shall in no event be greater than one and a half times (1.5x) the annual Consulting Fee and (ii) continue to receive the Health Benefit Coverage through the end of the Term. The Option (as defined below) shall be treated in accordance with its terms.

(ii) Any payments or benefits under Section 4(c)(i) shall be (A) conditioned upon Consultant having provided an irrevocable waiver and general release of claims in favor of the Company, its respective Affiliates, their respective predecessors and successors, and all of the respective current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing (collectively, the "Released Parties") substantially in a form attached hereto asExhibit C (the "Release") that has become effective in accordance with its terms, (B) subject to Executive's continued compliance with the applicable terms of this Agreement and (C) subject to Section 26.

(iii) Notwithstanding anything herein to the contrary, the amount of any payment or benefit provided for in this Section 4 shall not be reduced, offset or subject to recovery by the Company or any of its subsidiaries or affiliates by reason of any compensation earned by Consultant as the result of employment by another employer after the Term terminates for any reason. In addition, Consultant shall be under no obligation to seek other employment or to take any other actions to mitigate the amounts payable under this Section 4.

(iv) For purposes of this Agreement, "Cause" shall mean that Consultant has (A) engaged in or committed willful misconduct; (B) engaged in or committed theft, fraud or other felonious, tortious or grossly negligent conduct; (C) refused or demonstrated an unwillingness to substantially perform the Services after written demand for substantial performance is delivered by the Company that specifically identifies the manner in which the Company believes Consultant has not substantially performed the Services; (D) refused or demonstrated an unwillingness to reasonably cooperate in good faith with any Company or government investigation or provide testimony therein (other than such failure resulting from Consultant's disability); (E) engaged in or committed any willful act that is likely to and which does in fact have the effect of injuring the reputation or business of the Company; (F) willfully violated his fiduciary duty or his duty of loyalty to the Company in any material respect; (G) used alcohol or drugs (other than drugs prescribed to Consultant by a physician and used by Consultant for their intended purpose for which they had been prescribed) in a manner which materially and repeatedly interferes with the performance of his duties hereunder or which has the effect of materially injuring the reputation or business of the Company; or (H) engaged in or committed a breach of any other term of this Agreement, and not cured such breach within ten (10) days following the delivery by the Company to Consultant of notice of such breach (provided that no cure period shall be required for a breach which by its nature cannot be cured). For purposes of the above clauses (A), (E) and (F) of this Section 4(c)(iv) no act, or failure to act, on Consultant's part shall be considered willful unless done or omitted to be done, by him not in good faith or without reasonable belief that his action or omission was in the best interest of the Company. Notwithstanding the foregoing, the Services shall not be deemed to have been terminated for Cause without delivery to Consultant of a resolution duly adopted

by the Board (excluding Consultant) stating that, in the good faith opinion of such Board, Cause exists and specifying the particulars thereof.

(v) For purposes of this Agreement, "Good Reason" means the occurrence of any of the following, without the written consent of Consultant, unless such event is rescinded within thirty (30) days after Consultant notifies the Company that Consultant objects thereto: (A) any reduction in Consultant's payments or benefits set forth on Exhibit B; or (B) any other material default by the Company of its obligations to Consultant hereunder.

(vi) For purposes of this Agreement, "Disability" means, as a result of Consultant's incapacity due to physical or mental illness, Consultant shall have been unable to perform the Services, even with reasonable accommodation that does not impose an undue hardship on the Company, on a fifteen hours per week basis for the entire period of three (3) consecutive months, and within thirty (30) days after the later of such three (3) consecutive months without Consultant's Services and written notice of termination is given (which may occur before or after the end of such three month period), shall not have returned to the performance of his duties hereunder on a fifteen hours per week basis.

(vii) Upon termination of Consultant's Services for any reason, upon the Company's request Consultant agrees to resign, as of the date of such termination of Services or such other date requested, from the Board and any committees thereof (and, if applicable, from the board of directors (and any committees thereof) of any Affiliate of the Company) to the extent Consultant is then serving thereon.

5. Noncompetition and Nonsolicitation. For purposes of Sections 5, 6, 7, 8, 9, 10 and 11 of this Agreement, references to the Company shall include its subsidiaries.

(a) Consultant agrees that Consultant shall not, during the Term (the "Non-Compete Period"), directly or indirectly, without the prior written consent of the Company: (A) engage in activities or businesses (including without limitation by owning any interest in, managing, controlling, participating in, consulting with, advising, rendering services for, or in any manner engaging in the business of owning, operating or managing any business) anywhere in the world that are principally or primarily in the business of producing Spanish language media content, or owning or operating Hispanic television networks ("Competitive Activities"); provided, that, Competitive Activities shall not include film-making, or (B) assisting any Person in any way to do, or attempt to do, anything prohibited by this Section 5(a)(A) above.

(b) Consultant agrees that Consultant shall not, during the Term and during the one-year period following termination of service (such collective duration, the "Non-Solicit Period," and together with the Non-Compete Period, the "Restriction Period"), directly or indirectly, without the prior written consent of the Company perform any action, activity or course of conduct which is substantially detrimental to the businesses or business reputations of the Company, including (A) soliciting or encouraging (or attempting to solicit or encourage) any employee of the Company to leave the employment of the Company; (B) intentionally interfering with the relationship of the Company with any Person who or which is employed by or otherwise engaged to perform services for, or any customer, client, supplier, licensee, licensor or other business relation of, the Company; or (C) assisting any Person in any way to do, or attempt to do, anything prohibited by Section 5(b) (A) or (B) above.

The Restriction Period shall be tolled during (and shall be deemed automatically extended by) any period in which Consultant is in violation of the provisions of this Section 5(a).

(c) The provisions of Section 5(a) shall not be deemed breached as a result of Consultant's passive ownership of less than an aggregate of 5% of any class of securities of a Person engaged, directly or indirectly, in Competitive Activities, so long as Consultant does not actively participate in the business of such Person.

(d) Without limiting the generality of Section 11, notwithstanding the fact that any provision of this Section 5 is determined not to be specifically enforceable, the Company may nevertheless be entitled to recover monetary damages as a result of Consultant's material breach of such provision.

(e) Consultant acknowledges that the Company has a legitimate business interest and right in protecting its Confidential Information (as defined below), business strategies, employee and customer relationships and goodwill, and that the Company would be seriously damaged by the disclosure of Confidential Information and the loss or deterioration of its business strategies, employee and customer relationships and goodwill. Consultant acknowledges that Consultant is being provided with significant additional consideration (to which Consultant is not otherwise entitled), including stock options and restricted stock, to induce Consultant to enter into this Agreement. Consultant expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area. Consultant further acknowledges that although Consultant's compliance with the covenants contained in Sections 5, 6, 7, 8 and 9 may prevent Consultant from earning a livelihood in a business similar to the business of the Company, Consultant's experience and capabilities are such that Consultant has other opportunities to earn a livelihood and adequate means of support for Consultant and Consultant's dependents.

6. Nondisclosure of Confidential Information. (a) Consultant acknowledges that Consultant is and shall become familiar with the Company's Confidential Information, including trade secrets, and that Consultant's services are of special, unique and extraordinary value to the Company. Consultant acknowledges that the Confidential Information obtained by Consultant while providing services to the Company is the property of the Company. Therefore, Consultant agrees that Consultant shall not disclose to any unauthorized Person or use for Consultant's own purposes any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Consultant's acts or omissions in violation of this Agreement; provided, however, that if Consultant receives a request to disclose Confidential Information pursuant to a deposition, interrogatory, request for information or documents in legal proceedings, subpoena, civil investigative demand, governmental or regulatory process or similar process, (i) Consultant shall promptly notify in writing the Company, and consult with and assist the Company in seeking a protective order or request for other appropriate remedy, (ii) in the event that such protective order or remedy is not obtained, or if the Company waives compliance with the terms hereof, Consultant shall disclose only that portion of the Confidential Information which, in the written advice of Consultant's legal counsel, is legally required to be disclosed and shall exercise reasonable efforts to provide that the receiving Person shall agree to treat such Confidential Information as confidential to the extent possible (and permitted under applicable law) in respect of the applicable proceeding or process and (iii) the Company shall be given an opportunity to review the Confidential Information prior to disclosure thereof.

(b) For purposes of this Agreement, "Confidential Information" means information, observations and data concerning the business or affairs of the Company, including, without

limitation, all business information (whether or not in written form) which relates to the Company, or its customers, suppliers or contractors or any other third parties in respect of which the Company has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Consultant's breach of this Agreement, including but not limited to: technical information or reports; formulas; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; long-range plans; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation or other personnel-related information; contracts; and supplier lists. Confidential Information will not include such information known to Consultant prior to Consultant's involvement with the Company or information rightfully obtained from a third party (other than pursuant to a breach by Consultant of this Agreement). Without limiting the foregoing, Consultant agrees to keep confidential the existence of, and any information concerning, any dispute between Consultant and the Company, except that Consultant may disclose information concerning such dispute to his immediate family, to the court that is considering such dispute or to Consultant's legal counsel and other professional advisors (provided that such counsel and other advisors agree not to disclose any such information other than as necessary to the prosecution or defense of such dispute).

(c) Except as expressly set forth otherwise in this Agreement, Consultant agrees that Consultant shall not disclose the terms of this Agreement, except to Consultant's immediate family and Consultant's financial and legal advisors, or as may be required by law or ordered by a court. Consultant further agrees that any disclosure to Consultant's financial or legal advisors shall only be made after such advisors acknowledge and agree to maintain the confidentiality of this Agreement and its terms.

(d) Consultant further agrees that Consultant will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other Person to whom Consultant has an obligation of confidentiality, and will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other Person to whom Consultant has an obligation of confidentiality unless consented to in writing by the former employer or other Person.

7. Return of Property. Consultant acknowledges that all notes, memoranda, specifications, devices, formulas, records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the businesses of the Company, in whatever form (including electronic), and all copies thereof, that are received or created by Consultant as a consultant of the Company or its subsidiaries or Affiliates (including but not limited to Confidential Information and Inventions (as defined below)) are and shall remain the property of the Company, and Consultant shall immediately return such property to the Company upon the termination of Consultant's services and, in any event, at the Company's request. Consultant further agrees that any property situated on the premises of, and owned by, the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by the Company's personnel at any time with or without notice.

8. Intellectual Property Rights. (i) Consultant agrees that the results and proceeds of Consultant's services for the Company (including, but not limited to, any trade secrets, products, services, processes, know-how, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, matters of a literary, musical, dramatic or otherwise creative nature, writings and other works of authorship) resulting from services performed as a consultant

of the Company and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived or reduced to practice or learned by Consultant, either alone or jointly with others in the performance of Consultant's Services for the Company (collectively, "Inventions"), shall be works-made-for-hire and the Company shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to Consultant whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights which do not accrue to the Company under the immediately preceding sentence, then Consultant hereby irrevocably assigns and agrees to assign any and all of Consultant's right, title and interest thereto, including any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, to the Company, and the Company shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company without any further payment to Consultant whatsoever. As to any Invention that Consultant is required to assign, Consultant shall promptly and fully disclose to the Company all information known to Consultant concerning such Invention.

(b) Consultant agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Consultant shall do any and all things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including the execution of appropriate copyright and/or patent applications or assignments. To the extent Consultant has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, Consultant unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 8(b) is subject to and shall not be deemed to limit, restrict or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of the Company's engagement of the Consultant. Consultant further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Consultant shall assist the Company in every proper and lawful way to obtain and from time to time enforce Proprietary Rights relating to Inventions in any and all countries. Consultant shall execute, verify and deliver such documents and perform such other acts consistent herewith (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Consultant shall execute, verify and deliver assignments of such Proprietary Rights to the Company or its designees. Consultant's obligations under this Section 8 shall continue beyond the termination of Consultant's services with the Company.

(c) Consultant hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that Consultant now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

9. Nondisparagement. Consultant shall not, whether in writing or orally, malign, denigrate or disparage the Company or its predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publish (whether in writing or orally) statements that tend to portray any of the aforementioned parties in an unfavorable light; provided that nothing herein shall or shall be deemed to prevent or impair Consultant from otherwise testifying truthfully in any legal or administrative proceeding where such testimony is

compelled, or requested or from otherwise complying with legal requirements. The Company shall not, and shall instruct its senior executives not to, whether in writing or orally, malign, denigrate or disparage Consultant, or otherwise publish (whether in writing or orally) statements that tend to portray Consultant in an unfavorable light; provided that nothing herein shall or shall be deemed to prevent or impair the Company or any such executives from testifying truthfully in any legal or administrative proceeding where such testimony is compelled, or requested or from otherwise complying with legal requirements.

10. [Intentionally omitted].

11. Remedies and Injunctive Relief. Consultant acknowledges that a violation by Consultant of any of the covenants contained in Section 5, 6, 7, 8 or 9 would cause irreparable damage to the Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Consultant agrees that, notwithstanding any provision of this Agreement to the contrary, the Company shall be entitled (without the necessity of showing economic loss or other actual damage) to seek injunctive relief (including temporary restraining orders, preliminary injunctions and/or permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Section 5, 6, 7, 8 or 9 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Company may have for damages under this Agreement or otherwise, and all of the Company's rights shall be unrestricted.

12. Indemnification and Insurance. (a) The Company shall defend, indemnify and hold Consultant harmless for acts and omissions in Consultant's capacity as a consultant of the Company and/or member of the Board to the maximum extent permitted under applicable law; provided, however, that neither the Company, nor any of its subsidiaries or affiliates shall indemnify Consultant for any losses incurred by Consultant as a result of any acts that would constitute Cause hereunder.

(b) During the Term and for a period of three (3) years following the termination of the Term, a directors' and officers' liability insurance policy (or policies), an errors and omissions liability insurance policy (or policies) and a general liability insurance policy (or policies) (together, the "Insurance Policies") shall be kept in place providing coverage to Consultant that is no less favorable to him in any respect (including with respect to scope, exclusions, amounts, and deductibles) than the coverage then being provided to any other present or former senior executive or director of the Company. Following the Company's receipt of written request from Consultant (provided that Consultant shall be limited to one written request per calendar year), the Company shall provide Consultant with copies of certificates or other documentation evidencing coverage of Consultant under the Insurance Policies consistent with its obligations under this Section 12(b).

13. Representations of Consultant; Advice of Counsel. (a) Consultant represents, warrants and covenants that as of the date hereof: (i) Consultant has the full right, authority and capacity to enter into this Agreement and perform Consultant's obligations hereunder, (ii) Consultant is not bound by any agreement that conflicts with or prevents or restricts the full performance of Consultant's duties and obligations to the Company hereunder during or after the Term and (iii) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which Consultant is subject.

(b) Consultant represents that, prior to execution of this Agreement, Consultant has been advised by an attorney of Consultant's own selection regarding this Agreement. Consultant acknowledges that Consultant has entered into this Agreement knowingly and voluntarily and with full knowledge and understanding of the provisions of this Agreement after being given the

opportunity to consult with counsel. Consultant further represents that in entering into this Agreement, Consultant is not relying on any statements or representations made by any of the Company's directors, officers, employees or agents which are not expressly set forth herein, and that Consultant is relying only upon Consultant's own judgment and any advice provided by Consultant's attorney.

14. Cooperation. Consultant agrees that, upon reasonable notice and without the necessity of the Company obtaining a subpoena or court order, Consultant shall provide reasonable cooperation in connection with any suit, action or proceeding (or any appeal from any suit, action or proceeding), and any investigation and/or defense of any claims asserted against any of Consultant and the Company, its respective Affiliates, their respective predecessors and successors, and all of the respective current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, which relates to events occurring during Consultant's provision of services to the Company and its Affiliates as to which Consultant may have relevant information (including but not limited to furnishing relevant information and materials to the Company or its designee and/or providing testimony at depositions and at trial), provided that with respect to such cooperation occurring following termination of services, the Company shall reimburse Consultant for expenses reasonably incurred in connection therewith, and further provided that any such cooperation occurring after the termination of Consultant's services shall be scheduled to the extent reasonably practicable so as not to unreasonably interfere with Consultant's business or personal affairs.

15. Taxes; Offsets. The Consultant shall be responsible for the payment of its portion of any and all required federal, state, local and foreign taxes (including self-employment taxes) incurred, or to be incurred, in connection with any amounts payable to the Consultant under this Agreement, and Consultant hereby agrees to indemnify and hold harmless the Company and its affiliates in relation to the payment of any and all withholding taxes, employee social security, employee national insurance, disability, unemployment taxes and such other federal, state, local and foreign taxes due in any country, tax withholding and tax deductions, and any interest and penalties applied thereon, on any earnings, payments or other compensation made with respect to this Agreement and the Services provided hereunder. The Company may offset any amounts due and payable by Consultant to the Company or its affiliates against any amounts the Company owes Consultant hereunder and shall provide Consultant with an accounting thereof concurrently with any such offset.

16. Assignment. (a) This Agreement is personal to Consultant and without the prior written consent of the Company shall not be assignable by Consultant, except for the assignment by will or the laws of descent and distribution of any accrued pecuniary interest of Consultant, and any assignment in violation of this Agreement shall be void. The Company may assign this Agreement, and its rights and obligations hereunder, to any of its Affiliates.

(b) This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, successors by merger, consolidation, sale or similar transaction, and, in the event of Consultant's death, Consultant's estate and heirs in the case of any payments due to Consultant hereunder).

(c) Consultant acknowledges and agrees that all of Consultant's covenants and obligations to the Company, as well as the rights of the Company hereunder, shall run in favor of and shall be enforceable by the Company and its successors and assigns.

17. Governing Law; No Construction Against Drafter. This Agreement shall be deemed to be made in the State of Delaware, and the validity, interpretation, construction, and

performance of this Agreement in all respects shall be governed by the laws of the State of Delaware without regard to its principles of conflicts of law. No provision of this Agreement or any related document will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or drafted such provision.

18. Consent to Jurisdiction; Waiver of Jury Trial. (a) Except as otherwise specifically provided herein, Consultant and the Company each hereby irrevocably submits to the exclusive jurisdiction of the United States District Court for the District of Delaware (or, if subject matter jurisdiction in that court is not available, in any state court located within the State of Delaware) over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 18(a); provided, however, that nothing herein shall preclude the Company or the Consultant from bringing any suit, action or proceeding in any other court for the purposes of enforcing the provisions of this Section 18 or enforcing any judgment obtained by the Company or the Consultant.

(b) The agreement of the parties to the forum described in Section 18(a) is independent of the law that may be applied in any suit, action, or proceeding and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in Section 18(a), and the parties agrees that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any suit, action or proceeding brought in any applicable court described in Section 18(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 23.

(d) Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding arising out of or relating to this Agreement. Each party hereto (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such party would not, in the event of any action, suit or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party hereto has been induced to enter into this Agreement by, among other things, the mutual waiver and certifications in this Section 18(d).

(e) Each party shall bear its own costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement.

19. Amendment; No Waiver. No provisions of this Agreement may be amended, modified, waived or discharged except by a written document signed by Consultant and a duly authorized officer of the Company (other than Consultant). The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will

operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

20. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party; provided, however, that if any term or provision of Section 5, 6, 7, 8 or 9 is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect to the fullest extent permitted by law; provided further, that in the event that any court of competent jurisdiction shall finally hold in a non-appealable judicial determination that any provision of Section 5, 6, 7, 8 or 9 (whether in whole or in part) is void or constitutes an unreasonable restriction against Consultant, such provision shall not be rendered void but shall be deemed to be modified to the minimum extent necessary to make such provision enforceable for the longest duration and the greatest scope as such court may determine constitutes a reasonable restriction under the circumstances. Subject to the foregoing, upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

21. Entire Agreement. This Agreement, including the Exhibits hereto, constitutes the entire agreement and understanding between the Company and Consultant with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral), between Consultant and the Company and the Company's subsidiaries, relating to such subject matter, including, without limitation, that certain Consulting Agreement, by and between Consultant and Cine Latino, Inc. dated as of May 1, 2008 and any agreements or understandings with respect to the issuance of any equity securities in the Company or any of the Company's subsidiaries. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

22. Survival. The rights and obligations of the parties under the provisions of this Agreement shall survive, and remain binding and enforceable, notwithstanding the expiration of the Term, the termination of this Agreement, the termination of Consultant's services hereunder or any settlement of the financial rights and obligations arising from Consultant's services hereunder, to the extent necessary to preserve the intended benefits of such provisions.

23. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or electronic image scan (pdf) or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand, facsimile or pdf or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to the parties at the following addresses or facsimiles or email addresses (or at such other address for a party as shall be specified by like notice):

If to the Company: Hemisphere Media Group, Inc.
4000 Ponce de Leon Blvd, Suite 650
Coral Gables, FL 33146
Attention: Alan J. Sokol
Fax: (305) 421-6389
Email: asokol@hemispheretv.com

With a copy (which shall not constitute notice hereunder) to each of:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Fax: (212) 757-3990
Attention: Jeffrey D. Marell, Esq.
Email: jmarell@paulweiss.com

and

Hemisphere Media Group, Inc.
4000 Ponce de Leon Blvd, Suite 650
Coral Gables, FL 33146
Attention: Alex J. Tolston, Esq.
Fax: (305) 421-6389
Email: atolston@hemispheretv.com

If to Consultant: James M. McNamara
At the most recent address and fax or email in Company personnel records

With a copy (which shall not constitute notice) to:

Del, Shaw, Moonves, Tanaka, Finkelstein & Lezcano
2120 Colorado Avenue, Suite 200
Santa Monica, CA 90404
Attention: Jeffrey S. Finkelstein, Esq.
Fax: (310) 979-7999
Email: jfinkelstein@DSMTFL.com

Notices delivered by facsimile or pdf shall have the same legal effect as if such notice had been delivered in person.

24. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

25. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original,

but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

26. Section 409A.

(a) For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (and such other Treasury or Internal Revenue Service guidance) as in effect from time to time. The parties intend that any amounts payable hereunder that could constitute "deferred compensation" within the meaning of Section 409A will be compliant with Section 409A or exempt from Section 409A. Notwithstanding the foregoing, the Company shall not be liable to, and the Consultant shall be solely liable and responsible for, any taxes or penalties that may be imposed on such Consultant under Section 409A of the Code with respect to Consultant's receipt of payments hereunder.

(b) Notwithstanding anything in this Agreement to the contrary, the following special rule shall apply, if and to the extent required by Section 409A, in the event that (i) Consultant is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i), (ii) amounts or benefits under this Agreement or any other program, plan or arrangement of the Company or a controlled group affiliate thereof are due or payable on account of "separation from service" within the meaning of Treasury Regulations Section 1.409A-1(h) and (iii) Consultant is employed by a public company or a controlled group affiliate thereof: no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Consultant prior to the date that is six (6) months after the date of Consultant's separation from service or, if earlier, Consultant's date of death; following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date.

(c) Any payment or benefit due upon a termination of Consultant's employment that represents a "deferral of compensation" within the meaning of Section 409A shall commence to be paid or provided to Consultant 61 days following a "separation from service" as defined in Treas. Reg. § 1.409A-1(h); provided that Consultant executes if required by Section 4(c)(ii), the release described therein, within 60 days following his "separation from service." Each payment made under this Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Section 409A. For purposes of this Agreement, with respect to payments of any amounts that are considered to be "deferred compensation" subject to Section 409A, references to "termination of employment", "termination", or words and phrases of similar import, shall be deemed to refer to Consultant's "separation from service" as defined in Section 409A, and shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A.

(d) Notwithstanding anything to the contrary in this Agreement, any payment or benefit under this Agreement or otherwise that is exempt from Section 409A pursuant to Treasury Regulation § 1.409A-1(b)(9)(v)(A) or (C) (relating to certain reimbursements and in-kind benefits) shall be paid or provided to Consultant only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which Consultant's "separation from service" occurs; and provided further that such expenses are reimbursed no later than the last day of the third calendar year following the calendar year in which Consultant's "separation from service" occurs. To the extent any indemnification payment, expense

reimbursement, or the provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any life-time or other aggregate limitation applicable to medical expenses), and in no event shall any indemnification payment or expenses be reimbursed after the last day of the calendar year following the calendar year in which Consultant incurred such indemnification payment or expenses, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit.

IN WITNESS WHEREOF, this Agreement has been duly executed by the parties as of the date first written above.

HEMISPHERE MEDIA GROUP, INC.

By: /s/ Alan J. Sokol
Name: Alan J. Sokol
Title: President and Chief Executive Officer

JAMES M. MCNAMARA

/s/ James M. McNamara

EXHIBIT A

**SERVICES**

- Consultant shall dedicate an average of fifteen hours a week to providing to the Company the following services: (A) 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 products (e.g., DVDs and downloads) and other interactive initiatives, (B) Consultant shall be available to consult as to WAPA Holdings, LLC ("WAPA"), as reasonably requested by the Board, for so long as WAPA is Controlled by the Company, (C) oversight of and strategic advice related to the Company's' investment in Pantaya, LLC ("Pantaya") as well service as the Company's designee as a board observer and/or designee of Pantaya, (D) oversight of and strategic advice related to Snap Global, LLC and its subsidiaries, (E) oversight of and strategic advice related to Snap JV LLC, Snap's joint venture with Mar Vista Entertainment, LLC and (F) service as the Company's board designee of Plural Comunicaciones S.A.S.

- In addition to the average of fifteen hours per week for the duties set forth above, (a) Consultant shall serve as Vice Chairman of the Board, and (b) unless otherwise instructed by the Company, Consultant shall make no fewer than one trip every fiscal quarter of Cine Latino, Inc. to Mexico City to visit MVS Cine Latino, S.A. de C.V. ("MVS") and to observe the provision of services by MVS under the Support Agreement between MVS and Cine Latino, Inc. dated as of August 2, 2007, as amended from time to time, the Satellites Services Agreement between MVS and Cine Latino, Inc., dated as of August 2, 2007, as amended from time to time, and any other agreements that are or may be entered into between the Company (or any of its affiliates) and MVS during the Term.

EXHIBIT B

CONSULTING FEES AND PAYMENT TERMS

1. Base Fees. For all Services to be performed hereunder (including, without limitation, Consultant's service on the Board), Consultant shall receive an annual consulting fee equal to $175,000 payable in equal monthly installments in arrears in accordance with the Company's payroll policies; provided, however, effective January 1, 2020, Consultant shall receive an annual consulting fee equal to $200,000 payable in equal monthly installments in arrears in accordance with the Company's payroll policies.

2. Bonus. Consultant shall be eligible to receive a discretionary annual bonus equal to $50,000.

3. Health Insurance. During the Term, the Company shall pay on behalf of Consultant the premiums for the cost of health benefits for the Consultant, Consultant's spouse and dependents under the Company's group health plan subject to availability of coverage under the Company's group health plan; provided, that, if such coverage is not available under the Company's group health plan then the Company shall reimburse Consultant for the premiums paid by Consultant for comparable health insurance (the "Health Benefit Coverage").

4. Equity. As promptly as practicable following the execution of this Agreement, the Company will grant Consultant (i) an option (the "Option") to purchase 50,000 shares of Company common stock ("Stock"), and (ii) 20,000 restricted shares of Stock ("Restricted Stock" and together with the Option, the "Equity Awards"), each pursuant to, and subject to, the terms of the Plan and a form of award certificate attached hereto as Exhibit D and the restricted stock certificate attached hereto as Exhibit E. Each share of Stock subject to the Option shall have an exercise price equal to the fair market value of a share of Stock on the date of grant, and the Equity Awards will vest in 3 equal annual installments on the first 3 anniversaries of April 9, 2016. Notwithstanding Section 4 in that certain Nonqualified Stock Option Award Agreement by and between the Company and Consultant, effective May 16, 2013 (the "Initial Option Agreement") and Section 4 in that certain Nonqualified Stock Option Award Agreement, effective November 16, 2016 (the "Subsequent Option Agreement") and Section 4 in that certain Nonqualified Stock Option Award Agreement, effective August 13, 2019 (the "Current Option Agreement") and together with the Initial Option Agreement and Subsequent Option Agreement, the "Option Agreements"), if the Consultant's Services with the Company and all Affiliates is terminated upon the expiration of the Term (and Consultant does not engage in any Competitive Activities during the Term and during the one-year period following termination of service), the stock options granted pursuant to the Option Agreements shall expire on the earlier of (A) the last day of the Option Period (as defined in each Option Agreement, as applicable for each particular grant) or (B) the date that is one year after the date of Consultant's termination.

5. Office Space; Parking. During the Term, the Company shall make available to Consultant appropriately furnished and equipped office space and related office services at the Company's executive offices on a rent-free basis, and shall reimburse Consultant and his executive assistant for parking expenses in connection with the performance of Services at the Company's executive offices in accordance with the Company's then-prevailing policies and procedures for expense reimbursement (which shall include appropriate itemization and substantiation of expenses incurred).

6. Business Expense Reimbursements. During the Term, the Company shall promptly reimburse Consultant for Consultant's reasonable and necessary business expenses (including, e.g., business travel incidentals, such as meals) incurred in connection with the Services provided hereunder in accordance with its then-prevailing policies and procedures for expense reimbursement (which shall include appropriate itemization and substantiation of expenses incurred). Notwithstanding the foregoing, the following policies shall apply with respect to travel and related expenses in connection with the Services provided hereunder: Consultant shall be entitled, at the Company's expense, to (A) "Business" class travel unless traveling with an employee or director of the Company traveling "first" class at the Company's expense, in which case, first" class travel, (B) private "first" class hotel accommodations, and (C) use, and shall use, the Company's recommended vendors for any transportation between airports, hotels and other locations in which the Services will be performed.

For purposes of this Agreement, the Base Fees are referred to as "Consulting Fees".

**Exhibit 10.2**

**EXECUTION COPY**

AMENDED AND RESTATED EMPLOYMENT AGREEMENT (the "Agreement") dated as of August 13, 2019, between Hemisphere Media Group, Inc., a Delaware corporation (the "Company"), and Alex J. Tolston ("Executive").

WHEREAS, Executive is currently employed by the Company in the capacity of Executive Vice President, General Counsel and Corporate Secretary;

WHEREAS, the Company and Executive are parties to an Employment Agreement, dated as of May 6, 2013, as amended and restated on October 26, 2016 (the "Original Employment Agreement");

WHEREAS, the parties desire to amend and restate the Original Employment Agreement such that Executive's employment continues on the terms and conditions set forth herein, effective as of April 9, 2019; and

WHEREAS Executive's agreement to enter into this Agreement and be bound by the terms hereof, including the restrictive covenants herein, is a material inducement to the Company's willingness to grant stock options and restricted stock to Executive and the Company would not otherwise grant such stock options and restricted stock to Executive if Executive did not agree to enter into this Agreement.

NOW, THEREFORE, in consideration of the mutual agreements, provisions and covenants contained herein, and intending to be legally bound hereby, the parties hereto agree as set forth below:

1. Term. (a) The term of Executive's employment under this Agreement shall be effective on April 9, 2019 (the "Effective Date"), and shall continue until April 9, 2022 (the "Initial Expiration Date"), provided that on the Initial Expiration Date and each subsequent anniversary of the Initial Expiration Date, the term of Executive's employment under this Agreement shall be automatically extended for one additional year unless either party provides written notice to the other party at least 180 days prior to the Initial Expiration Date (or any such anniversary, as applicable) that Executive's employment hereunder shall not be so extended (in which case Executive's employment and this Agreement shall terminate on the Initial Expiration Date or expiration of the extended term, as applicable); provided, however, that Executive's employment and this Agreement may be terminated at any time pursuant to the provisions of Section 4. The period of time from the Effective Date through the termination of this Agreement and Executive's employment hereunder pursuant to its terms is herein referred to as the "Term"; and the date on which the Term is scheduled to expire (i.e., the Initial Expiration Date or the scheduled expiration of the extended term, if applicable) is herein referred to as the "Expiration Date".

(b) Executive agrees and acknowledges that the Company has no obligation to extend the Term or to continue Executive's employment following the Expiration Date, and Executive expressly acknowledges that no promises or understandings to the contrary have been made or reached. Executive also agrees and acknowledges that, should Executive and the Company choose to continue Executive's employment for any period of time following the Expiration Date without extending the term of Executive's employment under this Agreement or entering into a new written employment agreement, Executive's employment with the Company shall be "at will", such that the Company may terminate Executive's employment at any time, with or without reason and with or without notice, and Executive may resign at any time, with or without reason and with or without notice.

(c) For purposes of this Agreement, the following terms, as used herein, shall have the definitions set forth below.

"Affiliate" means, with respect to any specified Person, any other Person that directly or indirectly, through one or more intermediaries, Controls, is Controlled by, or is under common Control with, such specified Person, provided that, in any event, any business in which the Company has any direct or indirect ownership interest shall be treated as an Affiliate of the Company.

"Change in Control" has the meaning set forth in the Plan.

"Control" (including, with correlative meanings, the terms "Controlled by" and "under common Control with"), as used with respect to any Person, means the direct or indirect possession of the power to direct or cause the direction of the management or policies of such Person, whether through the ownership of voting securities, by contract or otherwise.

"Governmental Entity" means any national, state, county, local, municipal or other government or any court of competent jurisdiction, administrative agency or commission or other governmental authority or instrumentality.

"Person" means any individual, firm, corporation, partnership, limited liability company, trust, joint venture, association, Governmental Entity, unincorporated entity or other entity.

"Plan" means the Hemisphere Media Group, Inc. Amended and Restated 2013 Equity Incentive Plan.

2. Duties and Responsibilities. (a) During the Term, Executive agrees to be employed and devote substantially all of Executive's business time and efforts to the Company and the promotion of its interests and the performance of Executive's duties and responsibilities hereunder as Executive Vice President, Chief Legal Officer and Corporate Secretary, upon the terms and conditions of this Agreement. Executive shall perform such lawful duties and responsibilities as directed from time to time by the Board of Directors of the Company (the "Board") or the Chief Executive Officer of the Company ("CEO") that are customary for an Executive Vice President, Chief Legal Officer and Corporate Secretary of a corporation of the size and nature of the Company.

(b) During the Term, Executive shall report directly to the CEO. Executive acknowledges that Executive's duties and responsibilities shall require Executive to travel on business to the extent necessary to fully perform Executive's duties and responsibilities hereunder. It is anticipated that Executive shall physically be on Company premises (or traveling on Company business) during normal business hours (unless absent due to vacation, injury, illness or other approved leave of absence).

(c) During the Term, Executive shall use Executive's best efforts to faithfully and diligently serve the Company and shall not act in any capacity that is in conflict with Executive's duties and responsibilities hereunder; provided, however, Executive may manage Executive's personal investments and affairs and participate in non-profit, educational, charitable and civic activities, to the extent that such activities do not interfere with the performance of Executive's duties hereunder, and are not in conflict with the business interests of the Company or its Affiliates or otherwise compete with the Company or its Affiliates. Except as provided in the immediately preceding sentence, for the avoidance of doubt, during the Term Executive shall not be permitted to become engaged in or render services for any Person other than the Company and its Affiliates, and shall not be permitted to be a member of the board of directors of any company, in any case without the consent of the Company (for

all purposes under this Agreement, any required consent of the Company shall be evidenced by a duly authorized resolution of the Board).

3. Compensation and Related Matters. (a) Base Salary. During the Term, for all services rendered under this Agreement, Executive shall receive an annualized base salary ("Base Salary") at a rate of $525,000 payable in accordance with the Company's applicable payroll practices. Base Salary shall be subject to review by the Board annually for increases, but not decreases, deemed necessary or appropriate in its sole discretion. References in this Agreement to "Base Salary" shall be deemed to refer to the most recently effective annual base salary rate. For the avoidance of doubt, within thirty (30) days after Executive's execution of this Agreement, the Company shall pay to Executive an amount equal to the product of (i) the difference between $525,000 and Executive's Base Salary as of April 8, 2019, and (ii) a fraction, the numerator of which is the number of calendar days between April 9, 2019 and the date on which Executive shall have executed this Agreement, and the denominator of which is 365.

(b) Annual Bonus.

(i) During the Term, subject to Section 4(b), for each calendar year, Executive shall have the opportunity to earn an annual bonus ("Annual Bonus") based on performance against specified objective (including budgetary or EBITDA-based) performance criteria ("Performance Goals") established by the Board prior to or as soon as practicable following each calendar year, which goals shall be substantially consistent with, but to the extent applicable, no less favorable than, the performance goals applicable to the annual bonus for the CEO and the Company's Chief Financial Officer ("CFO"), subject to Executive's continued employment through December 31 of each such calendar year. The Annual Bonus shall be equal to 37.5% of Base Salary if the Company achieves at least 80% of its Performance Goals, 50% of Base Salary (the "Target Bonus") if the Company achieves at least 100% of its Performance Goals and 62.5% of Base Salary if the Company achieves 110% or more of its Performance Goals, with the actual Annual Bonus determined by linear interpolation based on the Company's achievement of Performance Goals between 80% and 100% or between 100% and 110%, as applicable.

(ii) Any Annual Bonus payable for any calendar year shall be paid in cash as soon as practicable following the determination of the Company's performance results for such calendar year, but in no event later than March 15th of the calendar year following the calendar year to which such Annual Bonus relates.

(c) Equity. As promptly as practicable following the execution of this Agreement, the Company will grant Executive (i) an option (the "Option") to purchase 225,000 shares of Company common stock ("Stock"), and (ii) 42,500 restricted shares of Stock ("Restricted Stock" and together with the Option, the "Equity Awards"), each pursuant to, and subject to, the terms of the Plan and, respectively, the form of award certificate attached hereto as Exhibit A and the restricted stock certificate attached hereto asExhibit B. Each share of Stock subject to the Option shall have an exercise price equal to the fair market value of a share of Stock on the date of grant, and the Equity Awards will vest in 3 equal annual installments on the first 3 anniversaries of April 9, 2019.

(d) Benefits and Perquisites. During the Term, Executive shall be entitled to participate in the benefit plans and programs commensurate with Executive's position, that are provided by the Company from time to time for its senior executives generally, subject to the terms and conditions of such plans. In addition, the Company shall pay the premiums for life and AD&D insurance policies

having an aggregate face value of $1 million that shall be transferable to Executive upon termination of employment.

(e) Business Expense Reimbursements. During the Term, the Company shall promptly reimburse Executive for Executive's reasonable and necessary business expenses incurred in connection with performing Executive's duties hereunder in accordance with its then prevailing policies and procedures for expense reimbursement (which shall include appropriate itemization and substantiation of expenses incurred).

(f) Vacation. During the Term, Executive shall be entitled to four weeks paid vacation each calendar year, in accordance with the Company's vacation policy to be taken at such times as may be mutually agreed by Executive and the Company. Unused vacation in any calendar year shall be carried over to the next calendar year; provided that, in no event shall Executive's eligible vacation time exceed 8 weeks in any calendar year.

(g) Attorney's Fees. The Company shall reimburse the Executive within thirty (30) days following the execution of this Agreement his reasonable attorneys' fees incurred in connection with the amendment and restatement of this Agreement, up to a maximum of $5,000, subject to appropriate itemization and substantiation of expenses incurred.

(h) Indemnification. The Company agrees that in the event Executive is, or is threatened to be, made a party to any pending, contemplated or threatened action, suit, arbitration or other proceeding, whether civil, criminal, administrative or investigative, and whether formal or informal (each a "Proceeding"), by reason of the fact that Executive is or was, or had agreed to become, an officer, employee, agent, representative or fiduciary of the Company, or is or was serving at the request of the Company as a board member, officer, employee, agent or fiduciary of another Person, the Company shall indemnify and hold Executive harmless, to the maximum extent permitted by the Company's governing documents or, if greater, by applicable law (but not in any event in contravention of the Company's governing documents), against all expenses, damages, liabilities and losses incurred by Executive, provided that Executive acted in good faith and in a manner that he reasonably believed to be in or not opposed to the best interests of the Company, and, with respect to any criminal Proceeding, had no reasonable cause to believe his conduct was unlawful; provided, further, that Executive shall not be entitled to any such indemnification (A) in respect of any Proceeding based upon or attributable to Executive gaining in fact any personal profit or advantage to which he is not entitled or resulting from Executive's fraudulent, dishonest or willful misconduct, (B) to the extent Executive has already received indemnification or payment pursuant to the Company's operating agreement or other governing documents, D&O insurance or otherwise or (C) in respect of any Proceeding initiated by Executive, unless the Company has joined in or the Board has authorized such Proceeding. Expenses incurred by Executive in defending any claim shall be paid by the Company in advance of the final disposition of such claim upon receipt by the Company of an undertaking by or on behalf of Executive to repay such amount if it shall be ultimately determined that Executive is not entitled to be indemnified by the Company pursuant to this Section 3(h). To the extent the Company maintains an insurance policy covering the errors and omissions of its Board members and officers, Executive shall be covered by such policy during the Term and for six years following Executive's termination of employment in a manner no less favorable than Board members and other officers of the Company.

4. Termination of Employment. (a) Executive's employment may be terminated by either party at any time and for any reason;provided, however, that Executive shall be required to give the Company at least 60 days advance written notice of any voluntary resignation of Executive's employment hereunder (and in such event the Company in its sole discretion may elect to accelerate

Executive's date of termination of employment, it being understood that such termination shall still be treated as a voluntary resignation for purposes of this Agreement). Notwithstanding the foregoing, Executive's employment shall automatically terminate upon Executive's death.

(b) Following any termination of Executive's employment, notwithstanding any provision to the contrary in this Agreement, the obligations of the Company to pay or provide Executive with compensation and benefits under Section 3 shall cease, and the Company shall have no further obligations to provide compensation or benefits to Executive hereunder except (i) for payment of (w) any accrued but unpaid Base Salary through the date of termination, (x) any unpaid Annual Bonus for the year prior to the year in which termination occurs, (y) any accrued but unused vacation days, and (z) any unreimbursed expenses under Section 3(e), in each case accrued or incurred through the date of termination of employment, payable as soon as practicable and in all events within 30 days following termination of employment, (ii) as explicitly set forth in any other benefit plans, programs or arrangements applicable to terminated employees in which Executive participates, other than severance plans or policies, and (iii) as otherwise expressly required by applicable law (collectively, the "Accrued Obligations"). For the avoidance of doubt, (A) any Annual Bonus for the year of termination of employment is forfeited if Executive's employment is terminated for Cause or resignation by Executive other than for Good Reason, and (B) in the case of Executive's death, any payments to be made to Executive in accordance with this Section 4 shall be paid to Executive's beneficiaries, devisees, heirs, legates or estate, as applicable.

(c) (i) Except as otherwise provided herein, if Executive's employment is terminated (I) by the Company without Cause (other than due to death or Disability (as defined below) or due to the Company's election not to extend the Term beyond the scheduled expiration of the Term on the Expiration Date as contemplated under Section 1(a)), or (II) by the Executive for Good Reason, then Executive, in addition to the Accrued Obligations, shall be entitled to receive an aggregate amount equal to (A) the sum of (x) Executive's Base Salary and (y) the Target Bonus (the "Severance Payment"), plus (B) the product of (x) the actual Annual Bonus that Executive would have been entitled to receive for the year of termination had Executive continued to be employed through the end of the calendar year in which such termination occurs, and (y) a fraction, the numerator of which is the number of calendar days Executive was employed in the calendar year of termination, and the denominator of which is 365 (the "Pro Rata Bonus"). The Severance Payment shall be paid during the 12-month period immediately following such termination in substantially equal installments consistent with the Company's payroll practices, and the Pro Rata Bonus shall be paid on the date that other executives are paid their annual bonuses in respect of the year in which Executive's termination occurs.

(ii) Notwithstanding anything herein to the contrary, if at any time within 60 days before, or 12 months following, a Change in Control, Executive's employment is terminated (I) by the Company without Cause (other than due to death or Disability or due to the Company's election not to extend the Term beyond the scheduled expiration of the Term on the Expiration Date as contemplated under Section 1(a)), or (II) by the Executive for Good Reason, then Executive, in addition to the Accrued Obligations but in lieu of the payments described in Section 4(c)(i), shall be entitled to receive an aggregate amount equal to (A) two times (2X) the Severance Payment plus (B) the product of (x) the Target Bonus for the year of termination, and (y) a fraction, the numerator of which is the number of calendar days Executive was employed in the calendar year of termination, and the denominator of which is 365. Notwithstanding anything herein to the contrary, at any time following a Change in Control, if Executive's employment is terminated due to the Company's election not to extend the Term beyond the scheduled expiration of the Term on the Expiration Date as contemplated under Section 1(a), then Executive, in addition to the Accrued Obligations, shall be entitled to one and a

half times (1.5X) the Severance Payment, plus (Y) the product of (x) the Target Bonus and (y) a fraction, the numerator of which is the number of calendar days Executive was employed in the calendar year in which Executive's employment actually ends, and the denominator of which is 365. All payments described in this Section 4(c)(ii) shall be paid in cash in a lump sum within 30 business days following the execution of the Release that has become irrevocable by its terms; provided, that to the extent any portion of such lump sum payment would violate Section 409A (as defined below), then such portion shall be paid during the 12-month period immediately following such termination in substantially equal installments consistent with the Company's payroll practices.

(iii) If Executive's employment is terminated due to death or by the Company due to Disability, or due to the Company's election not to extend the Term beyond the scheduled expiration date of the Term on the Expiration Date as contemplated under Section 1(a), then Executive, in addition to the Accrued Obligations, shall be entitled to receive payment of the Pro Rata Bonus, payable no later than March 15 of the calendar year following the calendar year in which Executive's termination of employment occurs. In addition to the foregoing, if Executive's employment is terminated due to the Company's election not to extend the Term beyond the scheduled expiration of the Term on the Expiration Date as contemplated under Section 1(a) prior to a Change in Control, then Executive shall be entitled to (I) continued payment of Executive's Base Salary during the 6-month period immediately following such termination, in substantially equal installments consistent with the Company's payroll practices and (II) the product of (x) the Target Bonus and (y) a fraction, the numerator of which is the number of calendar days Executive was employed in the calendar year in which Executive's employment actually ends, and the denominator of which is 365. The payment described in the foregoing Section 4(c)(iii)(II) shall be remitted by the Company as a lump sum, no later than the Company's first payroll date following the Expiration Date.

(iv) If Executive's employment is terminated (I) by the Company without Cause, (II) by the Executive for Good Reason, (III) by reason of the Executive's death or Disability, or (IV) due to the Company's election not to extend the Term beyond the scheduled expiration of the Term on the Expiration Date as contemplated under Section 1(a), at any time, then in addition to the benefits described in Section 4(c)(i), 4(c)(ii) or 4(c)(iii), if the Executive is then enrolled in the Company's medical and dental plans on the date of termination and the Executive (or his estate or legal representative on behalf of his dependents) elects to continue his participation (if applicable) and that of his eligible dependents in those plans for a period of time under the federal law known as "COBRA" (or an applicable state-law COBRA corollary) then, (A) if such termination occurs prior to a Change in Control, until the 12-month anniversary of Executive's termination of employment, or (B) if such termination occurs after a Change in Control, until the 18-month anniversary of Executive's termination of employment (the "Applicable COBRA Period"), or, if earlier, until the date the Executive enrolls in the medical and dental plans offered in connection with his new employment, the Company will pay 100% of all costs of such participation. The Executive is required to notify the Company immediately if he begins new employment during the Applicable COBRA Period and to repay promptly any excess benefits contributions made by the Company. After the Company's contributions end, the Executive may continue benefits coverage for the remainder of the COBRA period, if any, by paying the full premium cost of such benefits.

(v) Any payments or benefits under Section 4(c)(i), 4(c)(ii), 4(c)(iii) or 4(c)(iv) shall be (A) conditioned upon Executive and the Company having executed a mutual, irrevocable waiver and general release of claims substantially in a form attached hereto as Exhibit C (the "Release") that has become effective in accordance with its terms, (B) subject to Executive's continued compliance with the terms of this Agreement and (C) subject to Section 25.

(vi) For purposes of this Agreement, "Cause" means: (A) Executive's willful refusal to perform his duties for the Company, which refusal or failure remains uncured for 15 days after he receives written notice from the Board demanding cure; (B) in carrying out his duties under the employment agreement, Executive engages in willful misconduct, or gross neglect, that in either case causes material economic harm to the Company's business or reputation; or (C) Executive is convicted of, or enters a plea of guilty or *nolo contendere* to, a felony and such conviction or plea has a material adverse effect on his ability to perform his duties for the Company or causes material harm to the Company or its Affiliates.

(vii) For purposes of this Agreement, "Disability" means Executive would be entitled to long-term disability benefits under the Company's long-term disability plan as in effect from time to time, without regard to any waiting or elimination period under such plan and assuming for the purpose of such determination that Executive is actually participating in such plan at such time. If the Company does not maintain a long-term disability plan, "Disability" means Executive's inability to perform Executive's duties and responsibilities hereunder due to physical or mental illness or incapacity that is expected to last for a consecutive period of 90 days or for a period of 120 days in any 365 day period as determined by the Board in its good faith judgment.

(viii) For purposes of this Agreement, "Good Reason" shall mean the occurrence of any of the following events without Executive's prior express written consent: (A) any reduction in Executive's Base Salary or Target Bonus, or any material diminution in Executive's authorities, titles or offices, or the assignment to him of duties that materially impair his ability to perform the duties normally assigned to an Executive Vice President, Chief Legal Officer and Corporate Secretary of a corporation of the size and nature of the Company; (B) any change in the reporting structure so that Executive reports other than to the CEO; (C) any relocation of Executive's principal place of employment, to a location outside of the Miami, Florida metropolitan area; (D) any material breach by the Company, or any of its Affiliates, of any material obligation to Executive; or (E) the failure of the Company to obtain the assumption in writing of its obligation to perform this Agreement by any successor to all or substantially all of the business and assets of the Company within 15 days after any merger, consolidation, sale or similar transaction; provided however, that prior to resigning for Good Reason, Executive shall give written notice to the Company of the facts and circumstances claimed to provide a basis for such resignation not more than thirty (30) days following his knowledge of such facts and circumstances, and the Company shall have thirty (30) days after receipt of such notice to cure such facts and circumstances (and if so cured then Executive shall not be permitted to resign for Good Reason in respect thereof).

(d) Upon termination of Executive's employment for any reason, upon the Company's request Executive agrees to resign, as of the date of such termination of employment or such other date requested, from the Board and any committees thereof (and, if applicable, from the board of directors (and any committees thereof) of any Affiliate of the Company) to the extent Executive is then serving thereon.

(e) The payment of any amounts accrued under any benefit plan, program or arrangement in which Executive participates shall be subject to the terms of the applicable plan, program or arrangement, and any elections Executive has made thereunder. Except as prohibited by the terms of any Company benefit plan, program or arrangement, the Company may offset any amounts due and payable by Executive to the Company or its subsidiaries against any amounts the Company owes Executive hereunder; provided, however, no offsets shall be permitted against amounts that constitute deferred compensation subject to Section 409A. Except as set forth in this Section 4(e), Executive shall be under no obligation to seek other employment or to otherwise mitigate the obligations of the Company

under this Agreement, and there shall be no offset against amounts or benefits due to Executive under this Agreement or otherwise on account of any claim (other than any preexisting debts then due in accordance with their terms) the Company or its affiliates may have against him or any remuneration or other benefit earned or received by the Executive after such termination.

5. Noncompetition and Nonsolicitation. For purposes of Sections 5, 6, 7, 8, 9, 10 and 11 of this Agreement, references to the Company shall include its subsidiaries and Affiliates.

(a) Executive agrees that Executive shall not, while an employee of the Company and during the one-year period following termination of employment (such collective duration, the "Restriction Period"), directly or indirectly, without the prior written consent of the Company:

(i) (A) engage in activities or businesses (including without limitation by owning any interest in, managing, controlling, participating in, consulting with, advising, rendering services for, or in any manner engaging in the business of owning, operating or managing any business) anywhere in the world that are principally or primarily in the business of producing Spanish language media content, or owning or operating Hispanic television networks ("Competitive Activities") or (B) assisting any Person in any way to do, or attempt to do, anything prohibited by this Section 5(a)(i)(A) above; or

(ii) perform any action, activity or course of conduct which is substantially detrimental to the businesses or business reputations of the Company, including (A) soliciting, recruiting or hiring (or attempting to solicit, recruit or hire) any employees of the Company or Persons who have worked for the Company during the 12-month period immediately preceding such solicitation, recruitment or hiring or attempt thereof; (B) soliciting or encouraging (or attempting to solicit or encourage) any employee of the Company to leave the employment of the Company; (C) intentionally interfering with the relationship of the Company with any Person who or which is employed by or otherwise engaged to perform services for, or any customer, client, supplier, licensee, licensor or other business relation of, the Company; or (D) assisting any Person in any way to do, or attempt to do, anything prohibited by Section 5(a)(ii)(A), (B) or (C) above.

The Restriction Period shall be tolled during (and shall be deemed automatically extended by) any period in which Executive is in violation of the provisions of this Section 5(a).

(b) The provisions of Section 5(a) shall not be deemed breached as a result of (i) Executive's passive ownership of less than an aggregate of 3% of any class of securities of a Person engaged, directly or indirectly, in Competitive Activities, so long as Executive does not actively participate in the business of such Person; provided, however, that such stock is listed on a national securities exchange or (ii) Executive's rendering services following termination of employment with the Company as a lawyer at a law firm to such law firm's clients in the normal course of its business (including without limitation any such clients engaged in Competitive Activities) (for the sake of clarity, Executive shall remain bound by the other restrictive covenants in this agreement, including but not limited to Section 6 hereof).

(c) Without limiting the generality of Section 11, notwithstanding the fact that any provision of this Section 5 is determined not to be specifically enforceable, the Company may nevertheless be entitled to recover monetary damages as a result of Executive's material breach of such provision.

(d) Executive acknowledges that the Company has a legitimate business interest and right in protecting its Confidential Information (as defined below), business strategies, employee and customer relationships and goodwill, and that the Company would be seriously damaged by the disclosure of Confidential Information and the loss or deterioration of its business strategies, employee and customer relationships and goodwill. Executive acknowledges that Executive is being provided with significant additional consideration (to which Executive is not otherwise entitled), including stock options and restricted stock, to induce Executive to enter into this Agreement. Executive expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area. Executive further acknowledges that although Executive's compliance with the covenants contained in Sections 5, 6, 7, 8 and 9 may prevent Executive from earning a livelihood in a business similar to the business of the Company, Executive's experience and capabilities are such that Executive has other opportunities to earn a livelihood and adequate means of support for Executive and Executive's dependents.

6. Nondisclosure of Confidential Information.

(a) Executive acknowledges that Executive is and shall become familiar with the Company's Confidential Information (as defined below), including trade secrets, and that Executive's services are of special, unique and extraordinary value to the Company. Executive acknowledges that the Confidential Information obtained by Executive while employed by the Company is the property of the Company. Therefore, Executive agrees that Executive shall not disclose to any unauthorized Person or use for Executive's own purposes any Confidential Information without the prior written consent of the Company, unless and to the extent that the aforementioned matters become generally known to and available for use by the public other than as a result of Executive's acts or omissions in violation of this Agreement; provided, however, that if Executive receives a request to disclose Confidential Information pursuant to a deposition, interrogatory, request for information or documents in legal proceedings, subpoena, civil investigative demand, governmental or regulatory process or similar process, (i) Executive shall promptly notify in writing the Company, and consult with and assist the Company in seeking a protective order or request for other appropriate remedy, (ii) in the event that such protective order or remedy is not obtained, or if the Company waives compliance with the terms hereof, Executive shall disclose only that portion of the Confidential Information which, in the written opinion of Executive's legal counsel, is legally required to be disclosed and shall exercise reasonable best efforts to provide that the receiving Person shall agree to treat such Confidential Information as confidential to the extent possible (and permitted under applicable law) in respect of the applicable proceeding or process and (iii) the Company shall be given an opportunity to review the Confidential Information prior to disclosure thereof.

(b) For purposes of this Agreement, "Confidential Information" means information, observations and data concerning the business or affairs of the Company, including, without limitation, all business information (whether or not in written form) which relates to the Company, or its customers, suppliers or contractors or any other third parties in respect of which the Company has a business relationship or owes a duty of confidentiality, or their respective businesses or products, and which is not known to the public generally other than as a result of Executive's breach of this Agreement, including but not limited to: technical information or reports; formulas; trade secrets; unwritten knowledge and "know-how"; operating instructions; training manuals; customer lists; customer buying records and habits; product sales records and documents, and product development, marketing and sales strategies; market surveys; marketing plans; profitability analyses; product cost; long-range plans; information relating to pricing, competitive strategies and new product development; information relating to any forms of compensation or other personnel-related information; contracts; and supplier lists.

Confidential Information will not include such information known to Executive prior to Executive's involvement with the Company or information rightfully obtained from a third party (other than pursuant to a breach by Executive of this Agreement). Without limiting the foregoing, Executive agrees to keep confidential the existence of, and any information concerning, any dispute between Executive and the Company, except that Executive may disclose information concerning such dispute to his immediate family, to the court that is considering such dispute or to Executive's legal counsel and other professional advisors (provided that such counsel and other advisors agree not to disclose any such information other than as necessary to the prosecution or defense of such dispute).

(c) Except as expressly set forth otherwise in this Agreement, Executive agrees that Executive shall not disclose the terms of this Agreement, except to Executive's immediate family and Executive's financial and legal advisors, or as may be required by law or ordered by a court. Executive further agrees that any disclosure to Executive's financial or legal advisors shall only be made after such advisors acknowledge and agree to maintain the confidentiality of this Agreement and its terms.

(d) Executive further agrees that Executive will not improperly use or disclose any confidential information or trade secrets, if any, of any former employers or any other Person to whom Executive has an obligation of confidentiality, and will not bring onto the premises of the Company any unpublished documents or any property belonging to any former employer or any other Person to whom Executive has an obligation of confidentiality unless consented to in writing by the former employer or other Person.

7. Return of Property. Executive acknowledges that all notes, memoranda, specifications, devices, formulas, records, files, lists, drawings, documents, models, equipment, property, computer, software or intellectual property relating to the businesses of the Company, in whatever form (including electronic), and all copies thereof, that are received or created by Executive while an employee of the Company or its subsidiaries or Affiliates (including but not limited to Confidential Information and Inventions (as defined below)) are and shall remain the property of the Company, and Executive shall immediately return such property to the Company upon the termination of Executive's employment and, in any event, at the Company's request. Executive further agrees that any property situated on the premises of, and owned by, the Company, including disks and other storage media, filing cabinets or other work areas, is subject to inspection by the Company's personnel at any time with or without notice.

8. Intellectual Property Rights.

(a) Executive agrees that the results and proceeds of Executive's services for the Company (including, but not limited to, any trade secrets, products, services, processes, know-how, designs, developments, innovations, analyses, drawings, reports, techniques, formulas, methods, developmental or experimental work, improvements, discoveries, inventions, ideas, source and object codes, programs, matters of a literary, musical, dramatic or otherwise creative nature, writings and other works of authorship) resulting from services performed while an employee of the Company and any works in progress, whether or not patentable or registrable under copyright or similar statutes, that were made, developed, conceived or reduced to practice or learned by Executive, either alone or jointly with others (collectively, "Inventions"), shall be works-made-for-hire and the Company shall be deemed the sole owner throughout the universe of any and all trade secret, patent, copyright and other intellectual property rights (collectively, "Proprietary Rights") of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, with the right to use the same in perpetuity in any manner the Company determines in its sole discretion, without any further payment to Executive whatsoever. If, for any reason, any of such results and proceeds shall not legally be a work-made-for-hire and/or there are any Proprietary Rights which do not accrue to the Company under the

immediately preceding sentence, then Executive hereby irrevocably assigns and agrees to assign any and all of Executive's right, title and interest thereto, including any and all Proprietary Rights of whatsoever nature therein, whether or not now or hereafter known, existing, contemplated, recognized or developed, to the Company, and the Company shall have the right to use the same in perpetuity throughout the universe in any manner determined by the Company without any further payment to Executive whatsoever. As to any Invention that Executive is required to assign, Executive shall promptly and fully disclose to the Company all information known to Executive concerning such Invention.

(b) Executive agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall do any and all things that the Company may reasonably deem useful or desirable to establish or document the Company's exclusive ownership throughout the United States of America or any other country of any and all Proprietary Rights in any such Inventions, including the execution of appropriate copyright and/or patent applications or assignments. To the extent Executive has any Proprietary Rights in the Inventions that cannot be assigned in the manner described above, Executive unconditionally and irrevocably waives the enforcement of such Proprietary Rights. This Section 8(b) is subject to and shall not be deemed to limit, restrict or constitute any waiver by the Company of any Proprietary Rights of ownership to which the Company may be entitled by operation of law by virtue of the Company's being Executive's employer. Executive further agrees that, from time to time, as may be requested by the Company and at the Company's sole cost and expense, Executive shall assist the Company in every proper and lawful way to obtain and from time to time enforce Proprietary Rights relating to Inventions in any and all countries. Executive shall execute, verify and deliver such documents and perform such other acts (including appearances as a witness) as the Company may reasonably request for use in applying for, obtaining, perfecting, evidencing, sustaining, and enforcing such Proprietary Rights and the assignment thereof. In addition, Executive shall execute, verify and deliver assignments of such Proprietary Rights to the Company or its designees. Executive's obligations under this Section 8 shall continue beyond the termination of Executive's employment with the Company.

(c) Executive hereby waives and quitclaims to the Company any and all claims, of any nature whatsoever, that Executive now or may hereafter have for infringement of any Proprietary Rights assigned hereunder to the Company.

9. Nondisparagement. Executive shall not, whether in writing or orally, malign, denigrate or disparage the Company or its predecessors and successors, or any of the current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, with respect to any of their respective past or present activities, or otherwise publish (whether in writing or orally) statements that tend to portray any of the aforementioned parties in an unfavorable light; provided that nothing herein shall or shall be deemed to prevent or impair Executive from, in the course of and consistent with his duties for the Company, making public comments which include good faith, candid discussions, or acknowledgements regarding the Company's performance or business, or discussing other officers, directors, and employees in connection with normal performance evaluations, or otherwise testifying truthfully in any legal or administrative proceeding where such testimony is compelled, or requested or from otherwise complying with legal requirements. The Company shall not, and shall instruct its senior executives not to, whether in writing or orally, malign, denigrate or disparage Executive, or otherwise publish (whether in writing or orally) statements that tend to portray Executive in an unfavorable light; provided that nothing herein shall or shall be deemed to prevent or impair the Company or any such executives discussing Executive in connection with normal performance evaluations or from testifying truthfully in any legal or administrative proceeding where such testimony is

compelled, or requested or from otherwise complying with legal requirements.

10. Notification of Subsequent Employer. Executive hereby agrees that prior to accepting employment with, or agreeing to provide services to, any other Person during any period during which Executive remains subject to any of the covenants set forth in Section 5, Executive shall provide such prospective employer with written notice of such provisions of this Agreement, with a copy of such notice delivered simultaneously to the Company.

11. Remedies and Injunctive Relief. Executive acknowledges that a violation by Executive of any of the covenants contained in Section 5, 6, 7, 8 or 9 would cause irreparable damage to the Company in an amount that would be material but not readily ascertainable, and that any remedy at law (including the payment of damages) would be inadequate. Accordingly, Executive agrees that, notwithstanding any provision of this Agreement to the contrary, the Company shall be entitled (without the necessity of showing economic loss or other actual damage) to injunctive relief (including temporary restraining orders, preliminary injunctions and/or permanent injunctions) in any court of competent jurisdiction for any actual or threatened breach of any of the covenants set forth in Section 5, 6, 7, 8 or 9 in addition to any other legal or equitable remedies it may have. The preceding sentence shall not be construed as a waiver of the rights that the Company may have for damages under this Agreement or otherwise, and all of the Company's rights shall be unrestricted.

12. Representations of Executive; Advice of Counsel. (a) Executive represents, warrants and covenants that as of the date hereof: (i) Executive has the full right, authority and capacity to enter into this Agreement and perform Executive's obligations hereunder, (ii) Executive is not bound by any agreement that conflicts with or prevents or restricts the full performance of Executive's duties and obligations to the Company hereunder during or after the Term and (iii) the execution and delivery of this Agreement shall not result in any breach or violation of, or a default under, any existing obligation, commitment or agreement to which Executive is subject.

(b) Executive represents that, prior to execution of this Agreement, Executive has been advised by an attorney of Executive's own selection regarding this Agreement. Executive acknowledges that Executive has entered into this Agreement knowingly and voluntarily and with full knowledge and understanding of the provisions of this Agreement after being given the opportunity to consult with counsel. Executive further represents that in entering into this Agreement, Executive is not relying on any statements or representations made by any of the Company's directors, officers, employees or agents which are not expressly set forth herein, and that Executive is relying only upon Executive's own judgment and any advice provided by Executive's attorney.

13. Cooperation. Executive agrees that, upon reasonable notice and without the necessity of the Company obtaining a subpoena or court order, Executive shall provide reasonable cooperation in connection with any suit, action or proceeding (or any appeal from any suit, action or proceeding), and any investigation and/or defense of any claims asserted against any of Executive and the Company, its respective Affiliates, their respective predecessors and successors, and all of the respective current or former directors, officers, employees, shareholders, partners, members, agents or representatives of any of the foregoing, which relates to events occurring during Executive's employment with the Company and its Affiliates as to which Executive may have relevant information (including but not limited to furnishing relevant information and materials to the Company or its designee and/or providing testimony at depositions and at trial), provided that with respect to such cooperation occurring following termination of employment, the Company shall reimburse Executive for expenses reasonably incurred in connection therewith, and further provided that any such cooperation occurring after the

termination of Executive's employment shall be scheduled to the extent reasonably practicable so as not to unreasonably interfere with Executive's business or personal affairs.

14. Withholding Taxes. The Company may deduct and withhold from any amounts payable under this Agreement such Federal, state, local, non-U.S. or other taxes as are required or permitted to be withheld pursuant to any applicable law or regulation.

15. Assignment. (a) This Agreement is personal to Executive and without the prior written consent of the Company shall not be assignable by Executive, except for the assignment by will or the laws of descent and distribution of any accrued pecuniary interest of Executive, and any assignment in violation of this Agreement shall be void. The Company may assign this Agreement, and its rights and obligations hereunder, to any of its Affiliates.

(b) This Agreement shall be binding on, and shall inure to the benefit of, the parties to it and their respective heirs, legal representatives, successors and permitted assigns (including, without limitation, successors by merger, consolidation, sale or similar transaction, and, in the event of Executive's death, Executive's estate and heirs in the case of any payments due to Executive hereunder).

(c) Executive acknowledges and agrees that all of Executive's covenants and obligations to the Company, as well as the rights of the Company hereunder, shall run in favor of and shall be enforceable by the Company and its successors and assigns.

16. Governing Law; No Construction Against Drafter. This Agreement shall be deemed to be made in the State of Delaware, and the validity, interpretation, construction, and performance of this Agreement in all respects shall be governed by the laws of the State of Delaware without regard to its principles of conflicts of law. No provision of this Agreement or any related document will be construed against or interpreted to the disadvantage of any party hereto by any court or other governmental or judicial authority by reason of such party having or being deemed to have structured or drafted such provision.

17. Consent to Jurisdiction; Waiver of Jury Trial (a) Except as otherwise specifically provided herein, Executive and the Company each hereby irrevocably submits to the exclusive jurisdiction of the United States District Court for the District of Delaware (or, if subject matter jurisdiction in that court is not available, in any state court located within the State of Delaware) over any dispute arising out of or relating to this Agreement. Except as otherwise specifically provided in this Agreement, the parties undertake not to commence any suit, action or proceeding arising out of or relating to this Agreement in a forum other than a forum described in this Section 17(a); provided, however, that nothing herein shall preclude the Company from bringing any suit, action or proceeding in any other court for the purposes of enforcing the provisions of this Section 17 or enforcing any judgment obtained by the Company.

(b) The agreement of the parties to the forum described in Section 17(a) is independent of the law that may be applied in any suit, action, or proceeding and the parties agree to such forum even if such forum may under applicable law choose to apply non-forum law. The parties hereby waive, to the fullest extent permitted by applicable law, any objection which they now or hereafter have to personal jurisdiction or to the laying of venue of any such suit, action or proceeding brought in an applicable court described in Section 17(a), and the parties agrees that they shall not attempt to deny or defeat such personal jurisdiction by motion or other request for leave from any such court. The parties agree that, to the fullest extent permitted by applicable law, a final and non-appealable judgment in any

suit, action or proceeding brought in any applicable court described in Section 17(a) shall be conclusive and binding upon the parties and may be enforced in any other jurisdiction.

(c) The parties hereto irrevocably consent to the service of any and all process in any suit, action or proceeding arising out of or relating to this Agreement by the mailing of copies of such process to such party at such party's address specified in Section 22.

(d) Each party hereto hereby waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any suit, action or proceeding arising out of or relating to this Agreement. Each party hereto (i) certifies that no representative, agent or attorney of any other party has represented, expressly or otherwise, that such party would not, in the event of any action, suit or proceeding, seek to enforce the foregoing waiver and (ii) acknowledges that it and the other party hereto has been induced to enter into this Agreement by, among other things, the mutual waiver and certifications in this Section 17(d).

(e) Each party shall bear its own costs and expenses (including reasonable attorneys' fees and expenses) incurred in connection with any dispute arising out of or relating to this Agreement; provided that, the Company shall reimburse the Executive for reasonable attorneys' fees and expenses to the extent that Executive substantially prevails as to a material issue with respect to any matters subject to dispute hereunder.

18. Amendment; No Waiver. No provisions of this Agreement may be amended, modified, waived or discharged except by a written document signed by Executive and a duly authorized officer of the Company (other than Executive). The failure of a party to insist upon strict adherence to any term of this Agreement on any occasion shall not be considered a waiver of such party's rights or deprive such party of the right thereafter to insist upon strict adherence to that term or any other term of this Agreement. No failure or delay by either party in exercising any right or power hereunder will operate as a waiver thereof, nor will any single or partial exercise of any such right or power, or any abandonment of any steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power.

19. Severability. If any term or provision of this Agreement is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect so long as the economic and legal substance of the transactions contemplated by this Agreement is not affected in any manner materially adverse to any party; provided, however, that if any term or provision of Section 5, 6, 7, 8 or 9 is invalid, illegal or incapable of being enforced by any applicable law or public policy, all other conditions and provisions of this Agreement shall nonetheless remain in full force and effect to the fullest extent permitted by law; provided further, that in the event that any court of competent jurisdiction shall finally hold in a non-appealable judicial determination that any provision of Section 5, 6, 7, 8 or 9 (whether in whole or in part) is void or constitutes an unreasonable restriction against Executive, such provision shall not be rendered void but shall be deemed to be modified to the minimum extent necessary to make such provision enforceable for the longest duration and the greatest scope as such court may determine constitutes a reasonable restriction under the circumstances. Subject to the foregoing, upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the parties hereto shall negotiate in good faith to modify this Agreement so as to effect the original intent of the parties as closely as possible in a mutually acceptable manner in order that the transactions contemplated hereby be consummated as originally contemplated to the fullest extent possible.

20. Entire Agreement. This Agreement, including the Exhibits hereto, constitutes the entire agreement and understanding between the Company and Executive with respect to the subject matter hereof and supersedes all prior agreements and understandings (whether written or oral), between Executive and the Company, relating to such subject matter. None of the parties shall be liable or bound to any other party in any manner by any representations and warranties or covenants relating to such subject matter except as specifically set forth herein.

21. Survival. The rights and obligations of the parties under the provisions of this Agreement shall survive, and remain binding and enforceable, notwithstanding the expiration of the Term, the termination of this Agreement, the termination of Executive's employment hereunder or any settlement of the financial rights and obligations arising from Executive's employment hereunder, to the extent necessary to preserve the intended benefits of such provisions.

22. Notices. All notices or other communications required or permitted to be given hereunder shall be in writing and shall be delivered by hand or sent by facsimile or electronic image scan (pdf) or sent, postage prepaid, by registered, certified or express mail or overnight courier service and shall be deemed given when so delivered by hand or facsimile, or if mailed, three days after mailing (one business day in the case of express mail or overnight courier service) to the parties at the following addresses or facsimiles or email addresses (or at such other address for a party as shall be specified by like notice):

If to the Company: Hemisphere Media Group, Inc.
4000 Ponce de Leon Blvd., Suite 650
Coral Gables, FL 33146
Attention: Craig Fischer
Fax: (305) 421-6389
Email: cfischer@hemispheretv.com

With a copy (which shall not constitute notice hereunder) to:

Paul, Weiss, Rifkind, Wharton & Garrison LLP
1285 Avenue of the Americas
New York, NY 10019-6064
Fax: (212) 757-3990
Attention: Jeffrey D. Marell, Esq.
Email: jmarell@paulweiss.com

And

Intermedia Partners, L.P.
405 Lexington Avenue
New York, NY 10174
Attention: Mark Coleman, Esq.
Email: mcoleman@intermediaadvisors.com

If to Executive: Alex J. Tolston
At the most recent address and fax or email in Company personnel records

With a copy (which shall not constitute notice hereunder) to:

Manatt, Phelps & Phillips, LLP
7 Times Square
New York, NY 10036
Fax: (212) 790-4545
Attention: Brian Turoff, Esq.
Email: bturoff@manatt.com

Notices delivered by facsimile shall have the same legal effect as if such notice had been delivered in person.

23. Headings and References. The headings of this Agreement are inserted for convenience only and neither constitute a part of this Agreement nor affect in any way the meaning or interpretation of this Agreement. When a reference in this Agreement is made to a Section, such reference shall be to a Section of this Agreement unless otherwise indicated.

24. Counterparts. This Agreement may be executed in one or more counterparts (including via facsimile and electronic image scan (pdf)), each of which shall be deemed to be an original, but all of which together shall constitute one and the same instrument and shall become effective when one or more counterparts have been signed by each of the parties and delivered to the other parties.

25. Section 409A.

(a) For purposes of this Agreement, "Section 409A" means Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"), and the Treasury Regulations promulgated thereunder (and such other Treasury or Internal Revenue Service guidance) as in effect from time to time. The parties intend that any amounts payable hereunder that could constitute "deferred compensation" within the meaning of Section 409A will be compliant with Section 409A or exempt from Section 409A. Notwithstanding the foregoing, the Company shall not be liable to, and the Executive shall be solely liable and responsible for, any taxes or penalties that may be imposed on such Executive under Section 409A of the Code with respect to Executive's receipt of payments hereunder.

(b) Notwithstanding anything in this Agreement to the contrary, the following special rule shall apply, if and to the extent required by Section 409A, in the event that (i) Executive is deemed to be a "specified employee" within the meaning of Section 409A(a)(2)(B)(i), (ii) amounts or benefits under this Agreement or any other program, plan or arrangement of the Company or a controlled group affiliate thereof are due or payable on account of "separation from service" within the meaning of Treasury Regulations Section 1.409A-1(h) and (iii) Executive is employed by a public company or a controlled group affiliate thereof: no payments hereunder that are "deferred compensation" subject to Section 409A shall be made to Executive prior to the date that is six (6) months after the date of Executive's separation from service or, if earlier, Executive's date of death; following any applicable six (6) month delay, all such delayed payments will be paid in a single lump sum on the earliest permissible payment date.

(c) Any payment or benefit due upon a termination of Executive's employment that represents a "deferral of compensation" within the meaning of Section 409A shall commence to be paid or provided to Executive 61 days following a "separation from service" as defined in Treas. Reg. § 1.409A-1(h), provided that Executive executes, if required by Section 4(c)(ii), the release described therein, within 60 days following his "separation from service." Each payment made under this

Agreement (including each separate installment payment in the case of a series of installment payments) shall be deemed to be a separate payment for purposes of Section 409A. Amounts payable under this Agreement shall be deemed not to be a "deferral of compensation" subject to Section 409A to the extent provided in the exceptions in Treasury Regulation §§ 1.409A-1(b)(4) ("short-term deferrals") and (b)(9) ("separation pay plans," including the exception under subparagraph (iii)) and other applicable provisions of Section 409A. For purposes of this Agreement, with respect to payments of any amounts that are considered to be "deferred compensation" subject to Section 409A, references to "termination of employment", "termination", or words and phrases of similar import, shall be deemed to refer to Executive's "separation from service" as defined in Section 409A, and shall be interpreted and applied in a manner that is consistent with the requirements of Section 409A.

(d) Notwithstanding anything to the contrary in this Agreement, any payment or benefit under this Agreement or otherwise that is exempt from Section 409A pursuant to Treasury Regulation § 1.409A-1(b)(9)(v)(A) or (C) (relating to certain reimbursements and in-kind benefits) shall be paid or provided to Executive only to the extent that the expenses are not incurred, or the benefits are not provided, beyond the last day of the second calendar year following the calendar year in which Executive's "separation from service" occurs; and provided further that such expenses are reimbursed no later than the last day of the third calendar year following the calendar year in which Executive's "separation from service" occurs. To the extent any indemnification payment, expense reimbursement, or the provision of any in-kind benefit is determined to be subject to Section 409A (and not exempt pursuant to the prior sentence or otherwise), the amount of any such indemnification payment or expenses eligible for reimbursement, or the provision of any in-kind benefit, in one calendar year shall not affect the indemnification payment or provision of in-kind benefits or expenses eligible for reimbursement in any other calendar year (except for any life-time or other aggregate limitation applicable to medical expenses), and in no event shall any indemnification payment or expenses be reimbursed after the last day of the calendar year following the calendar year in which Executive incurred such indemnification payment or expenses, and in no event shall any right to indemnification payment or reimbursement or the provision of any in-kind benefit be subject to liquidation or exchange for another benefit. Any tax gross-up payment or benefit under this Agreement will be treated as providing for payment at a specified time or on a fixed schedule of payments to the extent that the payment is made by the end of Executive's taxable year next following Executive's taxable year in which Executive remits the related taxes.

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IN WITNESS WHEREOF, this Agreement has been duly executed by the parties as of the date first written above.

HEMISPHERE MEDIA GROUP, INC.

By: /s/ Alan J. Sokol
Name: Alan J. Sokol
Title: President and Chief Executive Officer

ALEX J. TOLSTON

/s/ Alex J. Tolston

*[signature page to Tolston Employment Agreement]*

**EXHIBIT 31.1**

**SECTION 302 CERTIFICATION**

I, Alan J. Sokol, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hemisphere Media Group, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2019

By: /s/ Alan J. Sokol
Alan J. Sokol
Chief Executive Officer and President

**EXHIBIT 31.2**

**SECTION 302 CERTIFICATION**

I, Craig D. Fischer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hemisphere Media Group, Inc. (the "registrant");

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

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

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

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

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

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

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

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

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

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

Date: November 7, 2019

By: /s/ Craig D. Fischer
Craig D. Fischer
Chief Financial Officer

**EXHIBIT 32.1**

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

In connection with the Quarterly Report of Hemisphere Media Group, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Alan J. Sokol, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934; and

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

/s/ Alan J. Sokol
Alan J. Sokol
Chief Executive Officer and President

Date: November 7, 2019

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to Hemisphere Media Group, Inc. and will be retained by Hemisphere Media Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.

**EXHIBIT 32.2**

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

In connection with the Quarterly Report of Hemisphere Media Group, Inc. (the "Company") on Form 10-Q for the period ending September 30, 2019 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Craig D. Fischer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, in my capacity as an officer of the Company that, to my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

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

/s/ Craig D. Fischer
Craig D. Fischer
Chief Financial Officer

Date: November 7, 2019

The foregoing certification is being furnished solely to accompany the Report pursuant to 18 U.S.C. § 1350, and is not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and is not to be incorporated by reference into any filing of the Company, whether made before or after the date hereof, regardless of any general incorporation language in such filing.

A signed original of this written statement required by Section 906 has been provided to Hemisphere Media Group, Inc. and will be retained by Hemisphere Media Group, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.