

ENTRAVISION COMMUNICATIONS CORP  
Form 10-Q  
November 02, 2012  
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**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, 2012**

**OR**

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

**FOR THE TRANSITION PERIOD FROM            TO**

**COMMISSION FILE NUMBER 1-15997**

**ENTRAVISION COMMUNICATIONS CORPORATION**

(Exact name of registrant as specified in its charter)

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

**95-4783236**  
(I.R.S. Employer  
Identification No.)

**2425 Olympic Boulevard, Suite 6000 West**  
**Santa Monica, California 90404**  
(Address of principal executive offices) (Zip Code)

**(310) 447-3870**  
(Registrant's telephone number, including area code)

**N/A**  
(Former name, former address and former fiscal year, if changed since last report)

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

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

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

As of November 1, 2012, there were 54,404,226 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 22,188,161 shares, \$0.0001 par value per share, of the registrant's Class B common stock outstanding and 9,352,729 shares, \$0.0001 par value per share, of the registrant's Class U common stock outstanding.

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**ENTRAVISION COMMUNICATIONS CORPORATION**

**FORM 10-Q FOR THE THREE- AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2012**

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### **Forward-Looking Statements**

This document contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements other than statements of historical fact are forward-looking statements for purposes of federal and state securities laws, including, but not limited to, any projections of earnings, revenue or other financial items; any statements of the plans, strategies and objectives of management for future operations; any statements concerning proposed new services or developments; any statements regarding future economic conditions or performance; any statements of belief; and any statements of assumptions underlying any of the foregoing.

Forward-looking statements may include the words may, could, will, estimate, intend, continue, believe, expect or anticipate or words. These forward-looking statements present our estimates and assumptions only as of the date of this report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

risks related to our history of operating losses, our substantial indebtedness or our ability to raise capital;

provisions of our debt instruments, including the indenture governing our \$364 million aggregate principal amount of 8.750% senior secured first lien notes due 2017, or the Notes, and the amended agreement governing the current credit facility that we entered into in July 2010, or our 2010 Credit Facility, which restrict certain aspects of the operation of our business;

our continued compliance with all of our obligations, including financial covenants and ratios, under the indenture governing the Notes, or the Indenture, and the amended agreement governing our 2010 Credit Facility, or the amended Credit Agreement;

cancellations or reductions of advertising due to the current economic environment or otherwise;

advertising rates remaining constant or decreasing;

the impact of rigorous competition in Spanish-language media and in the advertising industry generally;

the impact on our business, if any, as a result of changes in the way market share is measured by third parties;

our relationship with Univision Communications Inc., or Univision;

the extent to which we continue to generate revenue under retransmission consent agreements;

subject to restrictions contained in the Indenture and the amended Credit Agreement, the overall success of our acquisition strategy, which historically has included developing media clusters in key U.S. Hispanic markets, and the integration of any acquired assets

with our existing business;

industry-wide market factors and regulatory and other developments affecting our operations;

continued uncertainty in the current economic environment;

the impact of previous and any future impairment of our assets;

risks related to changes in accounting interpretations; and

the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of the passage of new federal healthcare laws.

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For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled Risk Factors, beginning on page 26 of our Annual Report on Form 10-K for the year ended December 31, 2011.

**Table of Contents****PART I****FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****ENTRAVISION COMMUNICATIONS CORPORATION****CONSOLIDATED BALANCE SHEETS****(In thousands, except share and per share data)**

|   | <b>September 30,<br/>2012<br/>(Unaudited)</b> | <b>December 31,<br/>2011</b> |
|---|---|------------------------------|
| <b>ASSETS</b>   |   |                              |
| Current assets  |   |                              |
| Cash and cash equivalents   | \$ 45,238                                     | \$ 58,719                    |
| Trade receivables, net of allowance for doubtful accounts of \$4,459 and \$3,926 (including related parties of \$6,063 and \$5,608)     | 48,059  | 44,270                       |
| Prepaid expenses and other current assets (including related parties of \$274 and \$274)  | 6,876   | 5,939                        |
| Total current assets  | 100,173                                       | 108,928                      |
| Property and equipment, net   | 62,063  | 65,226                       |
| Intangible assets subject to amortization, net (including related parties of \$21,459 and \$23,513)                                     | 22,457  | 24,598                       |
| Intangible assets not subject to amortization   | 220,701                                       | 220,701                      |
| Goodwill  | 36,647  | 36,647                       |
| Other assets  | 9,466   | 11,221                       |
| Total assets  | \$ 451,507                                    | \$ 467,321                   |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>  |   |                              |
| Current liabilities   |   |                              |
| Advances payable, related parties   | 118   | 118                          |
| Accounts payable, accrued expenses and other liabilities (including related parties of \$4,121 and \$5,691)                             | 32,382  | 39,750                       |
| Total current liabilities   | 32,500  | 39,868                       |
| Long-term debt, less current maturities (net of bond discount of \$3,497 and \$4,134)   | 360,299                                       | 379,662                      |
| Other long-term liabilities   | 8,070   | 8,327                        |
| Deferred income taxes   | 43,510  | 40,025                       |
| Total liabilities   | 444,379                                       | 467,882                      |
| Commitments and contingencies (note 4)  |   |                              |
| Stockholders equity (deficit)   |   |                              |
| Class A common stock, \$0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2012 54,404,226; 2011 53,514,769 | 5   | 5                            |
| Class B common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2012 and 2011 22,188,161          | 2   | 2                            |
| Class U common stock, \$0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2012 and 2011 9,352,729           | 1   | 1                            |

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|  |            |            |
|--|------------|------------|
| Additional paid-in capital                           | 940,238    | 938,453    |
| Accumulated deficit                                  | (933,118)  | (939,022)  |
| Total stockholders' equity (deficit)                 | 7,128      | (561)      |
| Total liabilities and stockholders' equity (deficit) | \$ 451,507 | \$ 467,321 |

See Notes to Consolidated Financial Statements



**Table of Contents****ENTRAVISION COMMUNICATIONS CORPORATION****CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)****(In thousands, except share and per share data)**

|  | <b>Three-Month Period<br/>Ended September 30,</b> |             | <b>Nine-Month Period<br/>Ended September 30,</b> |             |
|--|---|-------------|--|-------------|
|  | <b>2012</b>                                       | <b>2011</b> | <b>2012</b>                                      | <b>2011</b> |
| Net revenue  | \$ 58,486   | \$ 50,115   | \$ 159,501                                       | \$ 144,424  |
| Expenses:  |   |             |  |             |
| Direct operating expenses (including related parties of \$2,788, \$2,366, \$7,493, and \$5,885) (including non-cash stock-based compensation of \$45, \$51, \$101 and \$155)   | 23,293  | 22,582      | 67,803   | 65,890      |
| Selling, general and administrative expenses (including non-cash stock-based compensation of \$222, \$157, \$546, and \$472)   | 9,593   | 8,621       | 28,600   | 27,150      |
| Corporate expenses (including non-cash stock-based compensation of \$498, \$287, \$1,116, and \$732)   | 4,465   | 3,885       | 12,527   | 11,402      |
| Depreciation and amortization (includes direct operating of \$3,061, \$3,333, \$9,278, and \$10,011; selling, general and administrative of \$718, \$797, \$2,155, and \$2,416; and corporate of \$234, \$885, \$1,003, and \$1,745) (including related parties of \$580, \$1,205, \$2,053, and \$2,725) | 4,013   | 5,015       | 12,436   | 14,172      |
|  | 41,364  | 40,103      | 121,366  | 118,614     |
| Operating income (loss)  | 17,122  | 10,012      | 38,135   | 25,810      |
| Interest expense (including related parties of \$0, \$0, \$0, and \$30) (note 2)   | (8,671)   | (9,444)     | (26,730)   | (28,346)    |
| Interest income  | 10  |             | 23   | 2           |
| Other income (loss)  |   |             |  | 687         |
| Gain (loss) on debt extinguishment   |   |             | (1,230)  |             |
| Income (loss) before income taxes  | 8,461   | 568         | 10,198   | (1,847)     |
| Income tax (expense) benefit   | (1,228)   | (1,952)     | (4,294)  | (4,321)     |
| Net income (loss) applicable to common stockholders  | \$ 7,233  | \$ (1,384)  | \$ 5,904   | \$ (6,168)  |
| Basic and diluted earnings per share:  |   |             |  |             |
| Net income (loss) per share applicable to common stockholders, basic and diluted   | \$ 0.08   | \$ (0.02)   | \$ 0.07  | \$ (0.07)   |
| Weighted average common shares outstanding, basic  | 85,940,225  | 85,055,659  | 85,861,671                                       | 85,049,518  |
| Weighted average common shares outstanding, diluted  | 86,386,655  | 85,055,659  | 86,220,868                                       | 85,049,518  |

See Notes to Consolidated Financial Statements

**Table of Contents****ENTRAVISION COMMUNICATIONS CORPORATION****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In thousands)

|  | <b>Nine-Month Period<br/>Ended September 30,</b> |                |
|--|--|----------------|
|  | <b>2012</b>                                      | <b>2011</b>    |
| <b>Cash flows from operating activities:</b>   |  |                |
| Net income (loss)  | \$ 5,904   | \$ (6,168)     |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |  |                |
| Depreciation and amortization  | 12,436   | 14,172         |
| Deferred income taxes  | 3,485  | 3,444          |
| Amortization of debt issue costs   | 1,706  | 1,642          |
| Amortization of syndication contracts  | 556  | 1,297          |
| Payments on syndication contracts  | (1,369)  | (1,506)        |
| Non-cash stock-based compensation  | 1,763  | 1,359          |
| Other (income) loss  |  | (687)          |
| Gain (loss) on debt extinguishment   | 1,230  |                |
| Changes in assets and liabilities, net of effect of acquisitions and dispositions:                 |  |                |
| (Increase) decrease in restricted cash   |  | 809            |
| (Increase) decrease in accounts receivable   | (3,511)  | 1,655          |
| (Increase) decrease in prepaid expenses and other assets   | (1,056)  | (261)          |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                    | (7,466)  | (11,050)       |
| <b>Net cash provided by (used in) operating activities</b>   | <b>13,678</b>                                    | <b>4,706</b>   |
| <b>Cash flows from investing activities:</b>   |  |                |
| Purchases of property and equipment and intangibles  | (6,502)  | (6,542)        |
| Purchase of a business   |  | (588)          |
| <b>Net cash provided by (used in) investing activities</b>   | <b>(6,502)</b>                                   | <b>(7,130)</b> |
| <b>Cash flows from financing activities:</b>   |  |                |
| Proceeds from issuance of common stock   | 23   | 42             |
| Payments on long-term debt   | (20,600)   | (1,000)        |
| Payments of deferred debt and offering costs   | (80)   | (29)           |
| <b>Net cash provided by (used in) financing activities</b>   | <b>(20,657)</b>                                  | <b>(987)</b>   |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(13,481)</b>                                  | <b>(3,411)</b> |
| <b>Cash and cash equivalents:</b>  |  |                |
| Beginning  | 58,719   | 72,390         |
| Ending   | \$ 45,238  | \$ 68,979      |
| Supplemental disclosures of cash flow information:   |  |                |
| Cash payments for:   |  |                |
| Interest   | \$ 33,708  | \$ 35,843      |
| Income taxes   | \$ 809   | \$ 877         |



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**ENTRAVISION COMMUNICATIONS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

**SEPTEMBER 30, 2012**

**1. BASIS OF PRESENTATION**

***Presentation***

The consolidated financial statements included herein have been prepared by Entravision Communications Corporation (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements and notes thereto should be read in conjunction with the Company's audited consolidated financial statements for the year ended December 31, 2011 included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011. The unaudited information contained herein has been prepared on the same basis as the Company's audited consolidated financial statements and, in the opinion of the Company's management, includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information for the periods presented. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 2012 or any other future period.

**2. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES**

***Related Party***

A majority of the Company's television stations are Univision- or TeleFutura-affiliated television stations. The Company's network affiliation agreements with Univision provide certain of its owned stations the exclusive right to broadcast Univision's primary network and TeleFutura network programming in their respective markets. These long-term affiliation agreements each expire in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to the Company's consent.

Under the network affiliation agreements, Univision acts as the Company's exclusive sales representative for the sale of national advertising sales on the Company's Univision- and TeleFutura-affiliate television stations, and the Company pays certain sales representation fees to Univision relating to sales of all advertising for broadcast on our Univision- and TeleFutura-affiliate television stations. During the three-month periods ended September 30, 2012 and 2011, the amount the Company paid Univision in this capacity was \$2.8 million and \$2.4 million, respectively. During the nine-month periods ended September 30, 2012 and 2011, the amount the Company paid Univision in this capacity was \$7.5 million and \$5.9 million, respectively.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted to Univision the right to negotiate the terms of retransmission consent agreements for its Univision- and TeleFutura-affiliated television station signals for a term of six years, expiring in December 2014. Among other things, the proxy agreement provides terms relating to compensation to be paid to the Company by Univision with respect to retransmission consent agreements entered into with Multichannel Video Programming Distributors (MVPDs). As of September 30, 2012, the amount due to the Company from Univision was \$6.1 million related to the agreements for the carriage of its Univision and TeleFutura-affiliated television station signals.

Univision currently owns approximately 10% of the Company's common stock on a fully-converted basis.

***Stock-Based Compensation***

The Company measures all stock-based awards using a fair value method and recognizes the related stock-based compensation expense in the consolidated financial statements over the requisite service period. As stock-based compensation expense recognized in the Company's consolidated financial statements is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

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Stock-based compensation expense related to grants of stock options and restricted stock units was \$0.8 million and \$0.5 million for the three-month periods ended September 30, 2012 and 2011, respectively. Stock-based compensation expense related to grants of stock options and restricted stock units was \$1.8 million and \$1.4 million for the nine-month periods ended September 30, 2012 and 2011, respectively.

*Stock Options*

Stock-based compensation expense related to stock options is based on the fair value on the date of grant using the Black-Scholes option pricing model and is amortized over the vesting period, generally between 1 to 4 years.

The fair value of each stock option granted was estimated using the following weighted-average assumptions:

|                               | <b>Nine-Month Period<br/>Ended September 30,<br/>2012</b> |           |
|-------------------------------|---|-----------|
| Fair value of options granted | \$  | 1.26      |
| Expected volatility           |   | 89%       |
| Risk-free interest rate       |   | 1.5%      |
| Expected lives                |   | 7.0 years |
| Dividend rate                 |   |           |

As of September 30, 2012, there was approximately \$2.0 million of total unrecognized compensation expense related to grants of stock options that is expected to be recognized over a weighted-average period of 1.6 years.

*Restricted Stock Units*

Stock-based compensation expense related to restricted stock units is based on the fair value of the Company's stock price on the date of grant and is amortized over the vesting period, generally between 1 to 4 years.

As of September 30, 2012, there was approximately \$0.7 million of total unrecognized compensation expense related to grants of restricted stock units that is expected to be recognized over a weighted-average period of 1.0 years.

**Table of Contents****Income (Loss) Per Share**

The following table illustrates the reconciliation of the basic and diluted income per share computations required by ASC 260-10, Earnings Per Share (in thousands, except share and per share data):

|   | Three-Month Period<br>Ended September 30, |            | Nine-Month Period<br>Ended September 30, |            |
|---|---|------------|--|------------|
|   | 2012                                      | 2011       | 2012                                     | 2011       |
| <b>Basic earnings per share:</b>                              |   |            |  |            |
| Numerator:  |   |            |  |            |
| Net income (loss) applicable to common stockholders           | \$ 7,233                                  | \$ (1,384) | \$ 5,904                                 | \$ (6,168) |
| Denominator:  |   |            |  |            |
| Weighted average common shares outstanding                    | 85,940,225                                | 85,055,659 | 85,861,671                               | 85,049,518 |
| Per share:  |   |            |  |            |
| Net income (loss) per share applicable to common stockholders | \$ 0.08                                   | \$ (0.02)  | \$ 0.07                                  | \$ (0.07)  |
| <b>Diluted earnings per share:</b>                            |   |            |  |            |
| Numerator:  |   |            |  |            |
| Net income (loss) applicable to common stockholders           | \$ 7,233                                  | \$ (1,384) | \$ 5,904                                 | \$ (6,168) |
| Denominator:  |   |            |  |            |
| Weighted average common shares outstanding                    | 85,940,225                                | 85,055,659 | 85,861,671                               | 85,049,518 |
| Dilutive securities:  |   |            |  |            |
| Stock options and restricted stock units                      | 446,430                                   |            | 359,197                                  |            |
| Diluted shares outstanding                                    | 86,386,655                                | 85,055,659 | 86,220,868                               | 85,049,518 |
| Per share:  |   |            |  |            |
| Net income (loss) per share applicable to common stockholders | \$ 0.08                                   | \$ (0.02)  | \$ 0.07                                  | \$ (0.07)  |

Basic income (loss) per share is computed as net income (loss) divided by the weighted average number of shares outstanding for the period. Diluted income (loss) per share reflects the potential dilution, if any, that could occur from shares issuable through stock options, restricted stock units and convertible securities.

For the three- and nine-month periods ended September 30, 2012, a total of 9,104,987 and 8,666,586 shares of dilutive securities, respectively, were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

For the three- and nine-month periods ended September 30, 2011, all dilutive securities have been excluded as their inclusion would have had an antidilutive effect on loss per share. The number of securities whose conversion would result in an incremental number of shares that would be included in determining the weighted average shares outstanding for diluted earnings per share if their effect was not antidilutive was 399,397 and 600,671 equivalent shares of dilutive securities for the three- and nine-month periods ended September 30, 2011, respectively.

**Notes**

On July 27, 2010, the Company completed the offering and sale of \$400 million aggregate principal amount of its 8.75% Senior Secured First Lien Notes (the Notes). The Notes were issued at a discount of 98.722% of their principal amount and mature on August 1, 2017. Interest on the Notes accrues at a rate of 8.75% per annum from the date of original issuance and is payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2011. The Company received net proceeds of approximately \$388 million from the sale of the Notes (net of bond discount of \$5 million and fees of \$7 million), which were used to pay all indebtedness outstanding under the previous syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to the offering of the Notes and for general corporate purposes.

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During the fourth quarter of 2011, the Company repurchased Notes on the open market with a principal amount of \$16.2 million. The Company recorded a loss on debt extinguishment of \$0.4 million primarily due to the write off of unamortized finance costs and unamortized bond discount.

On May 30, 2012, the Company repurchased Notes with a principal amount of \$20.0 million pursuant to the optional redemption provisions in the Indenture. The redemption price for the redeemed Notes was 103% of the principal amount plus all accrued and unpaid interest. The Company recorded a loss on debt extinguishment of \$1.2 million related to the premium paid and the write off of unamortized finance costs and unamortized bond discount.

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The Notes are guaranteed on a senior secured basis by all of the existing and future wholly-owned domestic subsidiaries (the Note Guarantors). The Notes and the guarantees rank equal in right of payment to all of the Company's and the guarantors' existing and future senior indebtedness and senior in right of payment to all of the Company's and the Note Guarantors' existing and future subordinated indebtedness. In addition, the Notes and the guarantees are effectively junior: (i) to the Company's and the Note Guarantors' indebtedness secured by assets that are not collateral; (ii) pursuant to an Intercreditor Agreement entered into at the same time that the Company entered into the 2010 Credit Facility described below; and (iii) to all of the liabilities of any of the Company's existing and future subsidiaries that do not guarantee the Notes, to the extent of the assets of those subsidiaries. The Notes are secured by substantially all of the assets, as well as the pledge of the stock of substantially all of the subsidiaries, including the special purpose subsidiary formed to hold the Company's FCC licenses.

At the Company's option, the Company may redeem:

prior to August 1, 2013, on one or more occasions, up to 10% of the original principal amount of the Notes during each 12-month period beginning on August 1, 2010, at a redemption price equal to 103% of the principal amount of the Notes, plus accrued and unpaid interest;

prior to August 1, 2013, on one or more occasions, up to 35% of the original principal amount of the Notes with the net proceeds from certain equity offerings, at a redemption price of 108.750% of the principal amount of the Notes, plus accrued and unpaid interest; provided that: (i) at least 65% of the aggregate principal amount of all Notes issued under the Indenture remains outstanding immediately after such redemption; and (ii) such redemption occurs within 60 days of the date of closing of any such equity offering;

prior to August 1, 2013, some or all of the Notes may be redeemed at a redemption price equal to 100% of the principal amount of the Notes plus a "make-whole" premium plus accrued and unpaid interest; and

on or after August 1, 2013, some or all of the Notes may be redeemed at a redemption price of: (i) 106.563% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2013; (ii) 104.375% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2014; (iii) 102.188% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2015; and (iv) 100% of the principal amount of the Notes if redeemed on or after August 1, 2016, in each case plus accrued and unpaid interest.

In addition, upon a change of control of the Company, as defined in the indenture governing the issuance of the Notes (the Indenture), the Company must make an offer to repurchase all Notes then outstanding, at a purchase price equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest. In addition, we may at any time and from time to time purchase Notes in the open market or otherwise.

Upon an event of default, as defined in the Indenture, the Notes will become due and payable: (i) immediately without further notice if such event of default arises from events of bankruptcy or insolvency of the Company, any Note Guarantor or any restricted subsidiary; or (ii) upon a declaration of acceleration of the Notes in writing to the Company by the Trustee or holders representing 25% of the aggregate principal amount of the Notes then outstanding, if an event of default occurs and is continuing. The Indenture contains additional provisions that are customary for an agreement of this type, including indemnification by the Company and the Note Guarantors.

The carrying amount and estimated fair value of the Notes as of September 30, 2012 was \$360.3 million and \$393.8 million, respectively. The estimated fair value is based on quoted market prices for the Notes.

The Company recognized interest expense related to amortization of the bond discount of \$0.1 million for each of the three-month periods ended September 30, 2012 and 2011. The Company recognized interest expense related to amortization of the bond discount of \$0.4 million for each of the nine-month periods ended September 30, 2012 and 2011.



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***2010 Credit Facility***

On July 27, 2010, the Company also entered into a \$50 million revolving credit facility ( "2010 Credit Facility" ) and terminated the amended syndicated bank credit facility agreement. The 2010 Credit Facility consists of a three-year \$50 million revolving credit facility that expires on July 27, 2013, which includes a \$3 million sub-facility for letters of credit. In addition, the Company may increase the aggregate principal amount of the 2010 Credit Facility by up to an additional \$50 million, subject to the Company satisfying certain conditions. As of September 30, 2012, the Company had approximately \$0.7 million in outstanding letters of credit. The Company currently has no outstanding borrowings under the 2010 Credit Facility.

The 2010 Credit Facility is guaranteed on a senior secured basis by all of the Company's existing and future wholly-owned domestic subsidiaries (the "Credit Guarantors" ), which are also the Note Guarantors (collectively, the "Guarantors" ). The 2010 Credit Facility is secured on a first priority basis by the Company's and the Credit Guarantors' assets, which also secure the Notes. The Company's borrowings, if any, under the 2010 Credit Facility rank senior to the Notes upon the terms set forth in the Intercreditor Agreement that the Company entered into in connection with the 2010 Credit Facility. The 2010 Credit Facility is secured by substantially all of the assets, as well as the pledge of the stock of substantially all of the subsidiaries, including the special purpose subsidiary formed to hold the Company's FCC licenses.

In February 2012, the Company entered into an amendment to the credit agreement governing the 2010 Credit Facility (the "amended Credit Agreement" ). The amendment changed certain thresholds for financial covenants relating to total leverage ratio, fixed charge coverage ratio, cash interest coverage ratio and revolving credit facility leverage ratio. In addition, on or after March 31, 2012, the financial covenants shall not be applicable unless any loans are outstanding on the relevant date. The amendment also contains other provisions that are customary for an agreement of this type.

Borrowings under the 2010 Credit Facility bear interest at either: (i) the Base Rate (as defined in the amended Credit Agreement) plus a margin of 3.375% per annum; or (ii) LIBOR plus a margin of 4.375% per annum. The Company has not drawn on the 2010 Credit Facility.

Upon an event of default, as defined in the amended Credit Agreement, the lenders may, among other things, suspend or terminate their obligation to make further loans to the Company and/or declare all amounts then outstanding under the 2010 Credit Facility to be immediately due and payable. The amended Credit Agreement also contains additional provisions that are customary for an agreement of this type, including indemnification by the Company and the Credit Guarantors.

In connection with the Company entering into the Indenture and the amended Credit Agreement, the Company and the Guarantors also entered into the following agreements:

A Security Agreement, pursuant to which the Company and the Guarantors each granted a first priority security interests in the collateral securing the Notes and the 2010 Credit Facility for the benefit of the holders of the Notes and the lenders under the 2010 Credit Facility; and

An Intercreditor Agreement, in order to define the relative rights of the holders of the Notes and the lenders under the 2010 Credit Facility with respect to the collateral securing the Company's and the Guarantors' respective obligations under the Notes and the 2010 Credit Facility.

A Registration Rights Agreement, pursuant to which the Company registered the Notes and successfully conducted an exchange offering for the Notes in unregistered form, as originally issued.

Subject to certain exceptions, both the Indenture and the amended Credit Agreement contain various provisions that limit the Company's ability, among other things, to:

incur additional indebtedness;

incur liens;

merge, dissolve, consolidate, or sell all or substantially all of the Company's assets;

make certain investments;

make certain restricted payments;

declare certain dividends or distributions or repurchase shares of the Company's capital stock;

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enter into certain transactions with affiliates; and

change the nature of the Company's business.

In addition, the Indenture contains various provisions that limit the Company's ability to:

apply the proceeds from certain asset sales other than in accordance with the terms of the Indenture; and

restrict dividends or other payments from subsidiaries.

In addition, the amended Credit Agreement contains various provisions that limit the Company's ability to:

dispose of certain assets; and

amend the Company's or any guarantor's organizational documents of the Company in any way that is materially adverse to the lenders under the 2010 Credit Facility.

Moreover, if the Company fails to comply with any of the financial covenants or ratios under the 2010 Credit Facility, the lenders could:

Elect to declare all amounts borrowed to be immediately due and payable, together with accrued and unpaid interest; and/or

Terminate their commitments, if any, to make further extensions of credit.

In addition, if the Company's total leverage ratio exceeds 6.50 to 1.00 as of the end of the most recently completed fiscal quarter, the maximum principal outstanding amount of all loans under the Company's 2010 Credit Facility cannot exceed \$25.0 million. In the event that the maximum principal outstanding amount exceeds \$25.0 million in that case, the Company must immediately prepay outstanding revolving loans in an amount sufficient to eliminate such excess.

### ***Recent Accounting Pronouncements***

In July 2012, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment ( ASU 2012-02 ). Under this guidance, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2012-02 is effective during interim and annual periods beginning after September 15, 2012. The Company is currently evaluating the impact of this standard on the consolidated financial statements.

### **3. SEGMENT INFORMATION**

The Company operates in two reportable segments: television broadcasting and radio broadcasting.

#### ***Television Broadcasting***

The Company owns and/or operates 53 primary television stations located primarily in California, Colorado, Connecticut, Florida, Massachusetts, Nevada, New Mexico, Texas and the Washington, D.C. area.

#### ***Radio Broadcasting***

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The Company owns and operates 49 radio stations (38 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas.

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Separate financial data for each of the Company's operating segments are provided below. Segment operating profit (loss) is defined as operating profit (loss) before corporate expenses and impairment charge. There were no significant sources of revenue generated outside the United States during the three- and nine-month periods ended September 30, 2012 and 2011. The Company evaluates the performance of its operating segments based on the following (in thousands):

|   | Three-Month Period<br>Ended September 30, |           |                          | Nine-Month Period<br>Ended September 30, |            |                          |
|---|---|-----------|--------------------------|--|------------|--------------------------|
|   | 2012                                      | 2011      | % Change<br>2012 to 2011 | 2012                                     | 2011       | % Change<br>2012 to 2011 |
| <b>Net Revenue</b>                                  |   |           |                          |  |            |                          |
| Television  | \$ 40,903                                 | \$ 33,564 | 22%                      | \$ 111,466                               | \$ 97,350  | 15%                      |
| Radio   | 17,583                                    | 16,551    | 6%                       | 48,035                                   | 47,074     | 2%                       |
| Consolidated  | 58,486                                    | 50,115    | 17%                      | 159,501                                  | 144,424    | 10%                      |
| <b>Direct operating expenses</b>                    |   |           |                          |  |            |                          |
| Television  | 14,349                                    | 13,668    | 5%                       | 41,567                                   | 39,992     | 4%                       |
| Radio   | 8,944                                     | 8,914     | 0%                       | 26,236                                   | 25,898     | 1%                       |
| Consolidated  | 23,293                                    | 22,582    | 3%                       | 67,803                                   | 65,890     | 3%                       |
| <b>Selling, general and administrative expenses</b> |   |           |                          |  |            |                          |
| Television  | 5,224                                     | 4,535     | 15%                      | 15,747                                   | 14,697     | 7%                       |
| Radio   | 4,369                                     | 4,086     | 7%                       | 12,853                                   | 12,453     | 3%                       |
| Consolidated  | 9,593                                     | 8,621     | 11%                      | 28,600                                   | 27,150     | 5%                       |
| <b>Depreciation and amortization</b>                |   |           |                          |  |            |                          |
| Television  | 3,227                                     | 4,160     | (22)%                    | 10,088                                   | 11,534     | (13)%                    |
| Radio   | 786                                       | 855       | (8)%                     | 2,348                                    | 2,638      | (11)%                    |
| Consolidated  | 4,013                                     | 5,015     | (20)%                    | 12,436                                   | 14,172     | (12)%                    |
| <b>Segment operating profit</b>                     |   |           |                          |  |            |                          |
| Television  | 18,103                                    | 11,201    | 62%                      | 44,064                                   | 31,127     | 42%                      |
| Radio   | 3,484                                     | 2,696     | 29%                      | 6,598                                    | 6,085      | 8%                       |
| Consolidated  | 21,587                                    | 13,897    | 55%                      | 50,662                                   | 37,212     | 36%                      |
| Corporate expenses                                  | 4,465                                     | 3,885     | 15%                      | 12,527                                   | 11,402     | 10%                      |
| Operating income (loss)                             | 17,122                                    | 10,012    | 71%                      | 38,135                                   | 25,810     | 48%                      |
| Interest expense                                    | (8,671)                                   | (9,444)   | (8)%                     | (26,730)                                 | (28,346)   | (6)%                     |
| Interest income                                     | 10  |           | *                        | 23                                       | 2          | *                        |
| Other income (loss)                                 |   |           | *                        |  | 687        | (100)%                   |
| Loss on debt extinguishment                         |   |           | *                        | (1,230)                                  |            | *                        |
| Income (loss) before income taxes                   | \$ 8,461                                  | \$ 568    | *                        | \$ 10,198                                | \$ (1,847) | *                        |
| <b>Capital expenditures</b>                         |   |           |                          |  |            |                          |
| Television  | \$ 3,130                                  | \$ 1,484  |                          | \$ 5,812                                 | \$ 5,514   |                          |
| Radio   | 416                                       | 465       |                          | 1,322                                    | 801        |                          |

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|              |          |          |          |          |
|--------------|----------|----------|----------|----------|
| Consolidated | \$ 3,546 | \$ 1,949 | \$ 7,134 | \$ 6,315 |
|--------------|----------|----------|----------|----------|

|              | September 30,<br>2012 | December 31,<br>2011 |
|--------------|-----------------------|----------------------|
| Total assets |                       |                      |
| Television   | \$ 327,011            | \$ 342,462           |
| Radio        | 124,496               | 124,859              |
| Consolidated | \$ 451,507            | \$ 467,321           |

**4. LITIGATION**

The Company is subject to various outstanding claims and other legal proceedings that may arise in the ordinary course of business. In the opinion of management, any liability of the Company that may arise out of or with respect to these matters will not materially adversely affect the financial position, results of operations or cash flows of the Company.

**Table of Contents****5. CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

The Company's Notes are guaranteed by all of the Company's existing and future wholly-owned domestic subsidiaries. All of the guarantees are full and unconditional and joint and several. None of the Company's foreign subsidiaries is a guarantor of the Notes.

Set forth below are consolidating financial statements related to the Company, its material guarantor subsidiary Entravision Holdings, LLC, and its non-guarantor subsidiaries. Consolidating balance sheets are presented as of September 30, 2012 and December 31, 2011 and the related consolidating statements of operations are presented for the three- and nine-month periods ended September 30, 2012 and 2011. Consolidating statements of cash flows are presented for the nine-month periods ended September 30, 2012 and 2011. The equity method of accounting has been used by the Company to report its investment in subsidiaries.

**Consolidating Balance Sheet****September 30, 2012****(In thousands)**

|   | Parent     | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
|---|------------|---------------------------|-------------------------------|--------------|-----------------------|
| <b>ASSETS</b>   |            |                           |                               |              |                       |
| Current assets  |            |                           |                               |              |                       |
| Cash and cash equivalents                                 | \$ 45,017  | \$                        | \$ 221                        | \$           | \$ 45,238             |
| Trade receivables, net of allowance for doubtful accounts | 47,939     |                           | 120                           |              | 48,059                |
| Prepaid expenses and other current assets                 | 6,669      |                           | 207                           |              | 6,876                 |
| Total current assets                                      | 99,625     |                           | 548                           |              | 100,173               |
| Property and equipment, net                               | 59,377     |                           | 2,686                         |              | 62,063                |
| Intangible assets subject to amortization, net            | 22,457     |                           |                               |              | 22,457                |
| Intangible assets not subject to amortization             | 38,739     | 178,262                   | 3,700                         |              | 220,701               |
| Goodwill  | 35,653     |                           | 994                           |              | 36,647                |
| Investment in subsidiaries                                | 167,512    |                           |                               | (167,512)    |                       |
| Other assets  | 9,466      |                           | 13,242                        | (13,242)     | 9,466                 |
| Total assets  | \$ 432,829 | \$ 178,262                | \$ 21,170                     | \$ (180,754) | \$ 451,507            |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>               |            |                           |                               |              |                       |
| Current liabilities                                       |            |                           |                               |              |                       |
| Advances payable, related parties                         | \$ 118     |                           | \$                            | \$           | \$ 118                |
| Accounts payable, accrued expenses and other liabilities  | 42,976     |                           | 639                           | (11,233)     | 32,382                |
| Total current liabilities                                 | 43,094     |                           | 639                           | (11,233)     | 32,500                |
| Long-term debt, less current maturities                   | 360,299    |                           |                               |              | 360,299               |
| Other long-term liabilities                               | 8,070      |                           |                               |              | 8,070                 |
| Deferred income taxes                                     | 14,238     | 31,281                    |                               | (2,009)      | 43,510                |
| Total liabilities   | 425,701    | 31,281                    | 639                           | (13,242)     | 444,379               |
| Stockholders' equity (deficit)                            |            |                           |                               |              |                       |
| Class A common stock                                      | 5          |                           |                               |              | 5                     |
| Class B common stock                                      | 2          |                           |                               |              | 2                     |
| Class U common stock                                      | 1          |                           |                               |              | 1                     |
| Member's capital  |            | 804,654                   | 12,652                        | (817,306)    |                       |
| Additional paid-in capital                                | 940,238    |                           |                               |              | 940,238               |

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|  |            |            |           |              |            |
|--|------------|------------|-----------|--------------|------------|
| Accumulated deficit                                  | (933,118)  | (657,673)  | 7,879     | 649,794      | (933,118)  |
| Total stockholders' equity (deficit)                 | 7,128      | 146,981    | 20,531    | (167,512)    | 7,128      |
| Total liabilities and stockholders' equity (deficit) | \$ 432,829 | \$ 178,262 | \$ 21,170 | \$ (180,754) | \$ 451,507 |



**Table of Contents****Consolidating Balance Sheet****December 31, 2011****(In thousands)**

|   | Parent     | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
|---|------------|---------------------------|-------------------------------|--------------|-----------------------|
| <b>ASSETS</b>   |            |                           |                               |              |                       |
| Current assets  |            |                           |                               |              |                       |
| Cash and cash equivalents                                 | \$ 58,276  | \$                        | \$ 443                        | \$           | \$ 58,719             |
| Trade receivables, net of allowance for doubtful accounts | 43,951     |                           | 319                           |              | 44,270                |
| Prepaid expenses and other current assets                 | 5,678      |                           | 261                           |              | 5,939                 |
| Total current assets                                      | 107,905    |                           | 1,023                         |              | 108,928               |
| Property and equipment, net                               | 62,046     |                           | 3,180                         |              | 65,226                |
| Intangible assets subject to amortization, net            | 24,598     |                           |                               |              | 24,598                |
| Intangible assets not subject to amortization             | 38,739     | 178,262                   | 3,700                         |              | 220,701               |
| Goodwill  | 35,653     |                           | 994                           |              | 36,647                |
| Investment in subsidiaries                                | 170,580    |                           |                               | (170,580)    |                       |
| Other assets  | 11,221     |                           | 12,603                        | (12,603)     | 11,221                |
| Total assets  | \$ 450,742 | \$ 178,262                | \$ 21,500                     | \$ (183,183) | \$ 467,321            |
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>                |            |                           |                               |              |                       |
| Current liabilities                                       |            |                           |                               |              |                       |
| Advances payable, related parties                         | \$ 118     | \$                        | \$                            | \$           | \$ 118                |
| Accounts payable, accrued expenses and other liabilities  | 49,633     |                           | 930                           | (10,813)     | 39,750                |
| Total current liabilities                                 | 49,751     |                           | 930                           | (10,813)     | 39,868                |
| Long-term debt, less current maturities                   | 379,662    |                           |                               |              | 379,662               |
| Other long-term liabilities                               | 8,327      |                           |                               |              | 8,327                 |
| Deferred income taxes                                     | 13,563     | 28,252                    |                               | (1,790)      | 40,025                |
| Total liabilities   | 451,303    | 28,252                    | 930                           | (12,603)     | 467,882               |
| Stockholders' equity (deficit)                            |            |                           |                               |              |                       |
| Class A common stock                                      | 5          |                           |                               |              | 5                     |
| Class B common stock                                      | 2          |                           |                               |              | 2                     |
| Class U common stock                                      | 1          |                           |                               |              | 1                     |
| Members' capital  |            | 804,654                   | 12,652                        | (817,306)    |                       |
| Additional paid-in capital                                | 938,453    |                           |                               |              | 938,453               |
| Accumulated deficit                                       | (939,022)  | (654,644)                 | 7,918                         | 646,726      | (939,022)             |
| Total stockholders' equity (deficit)                      | (561)      | 150,010                   | 20,570                        | (170,580)    | (561)                 |
| Total liabilities and stockholders' equity (deficit)      | \$ 450,742 | \$ 178,262                | \$ 21,500                     | \$ (183,183) | \$ 467,321            |

**Consolidating Statement of Operations****Three-Month Period Ended September 30, 2012****(In thousands)**

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|  | Parent    | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations | Consolidated<br>Total |
|--|-----------|---------------------------|-------------------------------|--------------|-----------------------|
| Net revenue  | \$ 58,281 | \$                        | \$ 603                        | \$ (398)     | \$ 58,486             |
| Expenses:  |           |                           |                               |              |                       |
| Direct operating expenses  | 23,316    |                           | 375                           | (398)        | 23,293                |
| Selling, general and administrative expenses                     | 9,470     |                           | 123                           |              | 9,593                 |
| Corporate expenses   | 4,465     |                           |                               |              | 4,465                 |
| Depreciation and amortization                                    | 3,853     |                           | 160                           |              | 4,013                 |
|  | 41,104    |                           | 658                           | (398)        | 41,364                |
| Operating income (loss)  | 17,177    |                           | (55)                          |              | 17,122                |
| Interest expense   | (8,671)   |                           |                               |              | (8,671)               |
| Interest income  | 10        |                           |                               |              | 10                    |
| Income (loss) before income taxes                                | 8,516     |                           | (55)                          |              | 8,461                 |
| Income tax (expense) benefit                                     | (250)     | (1,009)                   | 31                            |              | (1,228)               |
| Income (loss) before equity in net income (loss) of subsidiaries | 8,266     | (1,009)                   | (24)                          |              | 7,233                 |
| Equity in net income (loss) of subsidiaries                      | (1,033)   |                           |                               | 1,033        |                       |
| Net income (loss) applicable to common stockholders              | \$ 7,233  | \$ (1,009)                | \$ (24)                       | \$ 1,033     | \$ 7,233              |

**Table of Contents****Consolidating Statement of Operations****Three-Month Period Ended September 30, 2011****(In thousands)**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|---------------|-----------------------------------|---------------------------------------|---------------------|-------------------------------|
| Net revenue  | \$ 49,757     | \$                                | \$ 1,024                              | \$ (666)            | \$ 50,115                     |
| Expenses:  |               |                                   |                                       |                     |                               |
| Direct operating expenses  | 22,812        |                                   | 436                                   | (666)               | 22,582                        |
| Selling, general and administrative expenses                     | 8,807         |                                   | (186)                                 |                     | 8,621                         |
| Corporate expenses   | 3,885         |                                   |                                       |                     | 3,885                         |
| Depreciation and amortization                                    | 4,805         |                                   | 210                                   |                     | 5,015                         |
|  | 40,309        |                                   | 460                                   | (666)               | 40,103                        |
| Operating income (loss)  | 9,448         |                                   | 564                                   |                     | 10,012                        |
| Interest expense   | (9,444)       |                                   |                                       |                     | (9,444)                       |
| Income (loss) before income taxes                                | 4             |                                   | 564                                   |                     | 568                           |
| Income tax (expense) benefit                                     | (787)         | (848)                             | (317)                                 |                     | (1,952)                       |
| Income (loss) before equity in net income (loss) of subsidiaries | (783)         | (848)                             | 247                                   |                     | (1,384)                       |
| Equity in net income (loss) of subsidiaries                      | (601)         |                                   |                                       | 601                 |                               |
| Net income (loss) applicable to common stockholders              | \$ (1,384)    | \$ (848)                          | \$ 247                                | \$ 601              | \$ (1,384)                    |

**Consolidating Statement of Operations****Nine-Month Period Ended September 30, 2012****(In thousands)**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|---------------|-----------------------------------|---------------------------------------|---------------------|-------------------------------|
| Net revenue                                  | \$ 158,590    | \$                                | \$ 1,945                              | \$ (1,034)          | \$ 159,501                    |
| Expenses:                                    |               |                                   |                                       |                     |                               |
| Direct operating expenses                    | 67,695        |                                   | 1,142                                 | (1,034)             | 67,803                        |
| Selling, general and administrative expenses | 28,231        |                                   | 369                                   |                     | 28,600                        |
| Corporate expenses                           | 12,527        |                                   |                                       |                     | 12,527                        |
| Depreciation and amortization                | 11,912        |                                   | 524                                   |                     | 12,436                        |
|  | 120,365       |                                   | 2,035                                 | (1,034)             | 121,366                       |
| Operating income (loss)                      | 38,225        |                                   | (90)                                  |                     | 38,135                        |
| Interest expense                             | (26,730)      |                                   |                                       |                     | (26,730)                      |
| Interest income                              | 23            |                                   |                                       |                     | 23                            |

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|  |          |            |         |          |          |
|--|----------|------------|---------|----------|----------|
| Gain (loss) on debt extinguishment                               | (1,230)  |            |         | (1,230)  |          |
| Income (loss) before income taxes                                | 10,288   |            | (90)    | 10,198   |          |
| Income tax (expense) benefit                                     | (1,316)  | (3,029)    | 51      | (4,294)  |          |
| Income (loss) before equity in net income (loss) of subsidiaries | 8,972    | (3,029)    | (39)    | 5,904    |          |
| Equity in net income (loss) of subsidiaries                      | (3,068)  |            |         | 3,068    |          |
| Net income (loss) applicable to common stockholders              | \$ 5,904 | \$ (3,029) | \$ (39) | \$ 3,068 | \$ 5,904 |

**Table of Contents****Consolidating Statement of Operations****Nine-Month Period Ended September 30, 2011****(In thousands)**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|---------------|-----------------------------------|---------------------------------------|---------------------|-------------------------------|
| Net revenue  | \$ 143,453    | \$                                | \$ 2,973                              | \$ (2,002)          | \$ 144,424                    |
| Expenses:  |               |                                   |                                       |                     |                               |
| Direct operating expenses  | 66,677        |                                   | 1,215                                 | (2,002)             | 65,890                        |
| Selling, general and administrative expenses                     | 27,072        |                                   | 78                                    |                     | 27,150                        |
| Corporate expenses   | 11,402        |                                   |                                       |                     | 11,402                        |
| Depreciation and amortization                                    | 13,553        |                                   | 619                                   |                     | 14,172                        |
|  | 118,704       |                                   | 1,912                                 | (2,002)             | 118,614                       |
| Operating income (loss)  | 24,749        |                                   | 1,061                                 |                     | 25,810                        |
| Interest expense   | (28,346)      |                                   |                                       |                     | (28,346)                      |
| Interest income  | 2             |                                   |                                       |                     | 2                             |
| Other income (loss)  | 687           |                                   |                                       |                     | 687                           |
| Income (loss) before income taxes                                | (2,908)       |                                   | 1,061                                 |                     | (1,847)                       |
| Income tax (expense) benefit                                     | (1,181)       | (2,543)                           | (597)                                 |                     | (4,321)                       |
| Income (loss) before equity in net income (loss) of subsidiaries | (4,089)       | (2,543)                           | 464                                   |                     | (6,168)                       |
| Equity in net income (loss) of subsidiaries                      | (2,079)       |                                   |                                       | 2,079               |                               |
| Net income (loss) applicable to common stockholders              | \$ (6,168)    | \$ (2,543)                        | \$ 464                                | \$ 2,079            | \$ (6,168)                    |

**Consolidating Statement of Cash Flows****Nine-Month Period Ended September 30, 2012****(In thousands)**

|  | <b>Parent</b> | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|---------------|-----------------------------------|---------------------------------------|---------------------|-------------------------------|
| <b>Cash flows from operating activities:</b>   |               |                                   |                                       |                     |                               |
| Net income (loss)  | \$ 5,904      | \$ (3,029)                        | \$ (39)                               | \$ 3,068            | \$ 5,904                      |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |               |                                   |                                       |                     |                               |
| Depreciation and amortization  | 11,912        |                                   | 524                                   |                     | 12,436                        |
| Deferred income taxes  | 760           | 3,029                             | (304)                                 |                     | 3,485                         |
| Amortization of debt issue costs   | 1,706         |                                   |                                       |                     | 1,706                         |
| Amortization of syndication contracts  | 556           |                                   |                                       |                     | 556                           |
| Payments on syndication contracts  | (1,369)       |                                   |                                       |                     | (1,369)                       |
| Non-cash stock-based compensation  | 1,763         |                                   |                                       |                     | 1,763                         |
| Gain (loss) on debt extinguishment   | 1,230         |                                   |                                       |                     | 1,230                         |

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|  |                 |    |              |                 |
|--|-----------------|----|--------------|-----------------|
| Changes in assets and liabilities, net of effect of acquisitions and dispositions: |                 |    |              |                 |
| (Increase) decrease in accounts receivable   | (3,710)         |    | 199          | (3,511)         |
| (Increase) decrease in amounts due from related party                              | 311             |    | (311)        |                 |
| (Increase) decrease in prepaid expenses and other assets                           | (1,086)         |    | 30           | (1,056)         |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities    | (7,175)         |    | (291)        | (7,466)         |
| <b>Net cash provided by (used in) operating activities</b>                         | <b>10,802</b>   |    | <b>(192)</b> | <b>3,068</b>    |
| <b>Cash flows from investing activities:</b>                                       |                 |    |              |                 |
| Investment in subsidiaries   | 3,068           |    | (3,068)      |                 |
| Purchase of a business   |                 |    |              |                 |
| Purchases of property and equipment and intangibles                                | (6,472)         |    | (30)         | (6,502)         |
| <b>Net cash provided by (used in) investing activities</b>                         | <b>(3,404)</b>  |    | <b>(30)</b>  | <b>(3,068)</b>  |
| <b>Cash flows from financing activities:</b>                                       |                 |    |              |                 |
| Proceeds from issuance of common stock   | 23              |    |              | 23              |
| Payments on long-term debt   | (20,600)        |    |              | (20,600)        |
| Payments of deferred debt and offering costs                                       | (80)            |    |              | (80)            |
| <b>Net cash provided by (used in) financing activities</b>                         | <b>(20,657)</b> |    |              | <b>(20,657)</b> |
| <b>Net increase (decrease) in cash and cash equivalents</b>                        | <b>(13,259)</b> |    | <b>(222)</b> | <b>(13,481)</b> |
| <b>Cash and cash equivalents:</b>  |                 |    |              |                 |
| Beginning  | 58,276          |    | 443          | 58,719          |
| Ending   | \$ 45,017       | \$ | \$ 221       | \$ 45,238       |

**Table of Contents****Consolidating Statement of Cash Flows****Nine-Month Period Ended September 30, 2011****(In thousands)**

|  | <b>Parent</b>  | <b>Guarantor<br/>Subsidiaries</b> | <b>Non-Guarantor<br/>Subsidiaries</b> | <b>Eliminations</b> | <b>Consolidated<br/>Total</b> |
|--|----------------|-----------------------------------|---------------------------------------|---------------------|-------------------------------|
| <b>Cash flows from operating activities:</b>   |                |                                   |                                       |                     |                               |
| Net income (loss)  | \$ (6,168)     | \$ (2,543)                        | \$ 464                                | \$ 2,079            | \$ (6,168)                    |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: |                |                                   |                                       |                     |                               |
| Depreciation and amortization  | 13,553         |                                   | 619                                   |                     | 14,172                        |
| Deferred income taxes  | 540            | 2,543                             | 361                                   |                     | 3,444                         |
| Amortization of debt issue costs   | 1,642          |                                   |                                       |                     | 1,642                         |
| Amortization of syndication contracts  | 1,297          |                                   |                                       |                     | 1,297                         |
| Payments on syndication contracts  | (1,506)        |                                   |                                       |                     | (1,506)                       |
| Non-cash stock-based compensation  | 1,359          |                                   |                                       |                     | 1,359                         |
| Other (income) loss  | (687)          |                                   |                                       |                     | (687)                         |
| Changes in assets and liabilities, net of effect of acquisitions and dispositions:                 |                |                                   |                                       |                     |                               |
| (Increase) decrease in restricted cash   | 809            |                                   |                                       |                     | 809                           |
| (Increase) decrease in accounts receivable   | 1,789          |                                   | (134)                                 |                     | 1,655                         |
| (Increase) decrease in amounts due from related party  | 929            |                                   | (929)                                 |                     |                               |
| (Increase) decrease in prepaid expenses and other assets   | (298)          |                                   | 37                                    |                     | (261)                         |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities                    | (10,929)       |                                   | (121)                                 |                     | (11,050)                      |
| <b>Net cash provided by (used in) operating activities</b>   | <b>2,330</b>   |                                   | <b>297</b>                            | <b>2,079</b>        | <b>4,706</b>                  |
| <b>Cash flows from investing activities:</b>   |                |                                   |                                       |                     |                               |
| Investment in subsidiaries   | 2,079          |                                   |                                       | (2,079)             |                               |
| Purchase of a business   | (588)          |                                   |                                       |                     | (588)                         |
| Purchases of property and equipment and intangibles  | (6,350)        |                                   | (192)                                 |                     | (6,542)                       |
| <b>Net cash provided by (used in) investing activities</b>   | <b>(4,859)</b> |                                   | <b>(192)</b>                          | <b>(2,079)</b>      | <b>(7,130)</b>                |
| <b>Cash flows from financing activities:</b>   |                |                                   |                                       |                     |                               |
| Proceeds from issuance of common stock   | 42             |                                   |                                       |                     | 42                            |
| Payments on long-term debt   | (1,000)        |                                   |                                       |                     | (1,000)                       |
| Payments of deferred debt and offering costs   | (29)           |                                   |                                       |                     | (29)                          |
| <b>Net cash provided by (used in) financing activities</b>   | <b>(987)</b>   |                                   |                                       |                     | <b>(987)</b>                  |
| <b>Net increase (decrease) in cash and cash equivalents</b>  | <b>(3,516)</b> |                                   | <b>105</b>                            |                     | <b>(3,411)</b>                |
| <b>Cash and cash equivalents:</b>  |                |                                   |                                       |                     |                               |
| Beginning  | 72,140         |                                   | 250                                   |                     | 72,390                        |
| Ending   | \$ 68,624      | \$                                | \$ 355                                | \$                  | \$ 68,979                     |

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

**Overview**

We are a diversified Spanish-language media company with a unique portfolio of television and radio assets that reach Hispanic consumers across the United States, as well as the border markets of Mexico. We operate in two reportable segments: television broadcasting and radio broadcasting. Our net revenue for the three-month period ended September 30, 2012, was \$58.5 million. Of that amount, revenue generated by our television segment accounted for 70% and revenue generated by our radio segment accounted for 30%.

As of the date of filing this report, we own and/or operate 53 primary television stations located primarily in California, Colorado, Connecticut, Florida, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C. We own and operate 49 radio stations (38 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas. Our television and radio stations typically have local websites and other digital and interactive media platforms that provide users with news and information as well as a variety of other products and services.

We generate revenue primarily from sales of national and local advertising time on television and radio stations, and from retransmission consent agreements. Advertising rates are, in large part, based on each medium's ability to attract audiences in demographic groups targeted by advertisers. We recognize advertising revenue when commercials are broadcast. We do not obtain long-term commitments from our advertisers and, consequently, they may cancel, reduce or postpone orders without penalties. We pay commissions to agencies for local, regional and national advertising. For contracts directly with agencies, we record net revenue from these agencies. Seasonal revenue fluctuations are common in the broadcasting industry and are due primarily to variations in advertising expenditures by both local and national advertisers. In addition, advertising revenue is generally higher every two years resulting from political advertising, particularly in the third and fourth quarters of Presidential election years (2008, 2012, etc.). Also, advertising revenue is generally higher every four years resulting from advertising aired during the World Cup (2010 and 2014), particularly the second and third quarters of those years.

We also generate revenue from retransmission consent agreements that are entered into with MVPDs. We refer to such revenue as retransmission consent revenue, which represents payments from MVPDs for access to our television station signals so that they may rebroadcast our signals and charge their subscribers for this programming. We recognize retransmission consent revenue when it is accrued pursuant to the agreements we have entered into with respect to such revenue.



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Our primary expenses are employee compensation, including commissions paid to our sales staff and amounts paid to our national representative firms, as well as expenses for marketing, promotion and selling, technical, local programming, engineering, and general and administrative. Our local programming costs for television consist primarily of costs related to producing a local newscast in most of our markets.

### ***Highlights***

During the third quarter of 2012, we achieved revenue growth primarily driven by an increase in our television segment. Net revenue increased to \$58.5 million, an increase of \$8.4 million, or 17%, over the third quarter of 2011. Our audience shares remained strong in the nation's most densely populated Hispanic markets.

Net revenue in our television segment increased to \$40.9 million in the third quarter of 2012 from \$33.6 million in the third quarter of 2011. This increase of \$7.3 million, or 22%, in net revenue was primarily due to increases in political advertising revenue, which was not material in 2011, core advertising revenue and retransmission consent revenue. In addition, our television segment benefited from revenue growth generated from a more diversified base of advertising categories. We generated a total of \$4.9 million of retransmission consent revenue in the third quarter of 2012. We anticipate that retransmission consent revenue for the full year 2012 will be greater than it was for the full year 2011 and will continue to be a growing source of net revenues in future periods.

Net revenue in our radio segment increased to \$17.6 million in the third quarter of 2012 from \$16.6 million in the third quarter of 2011, an increase of \$1.0 million. The increase was primarily attributable to increases in core advertising revenue and political advertising revenue, which was not material in 2011.

### ***Relationship with Univision***

A majority of our television stations are Univision- or TeleFutura-affiliated television stations. Our network affiliation agreements, as amended, with Univision provide certain of our owned stations the exclusive right to broadcast Univision's primary network and TeleFutura network programming in their respective markets. These long-term affiliation agreements each expires in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to our consent. Under the network affiliation agreements, we generally retain the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, and approximately four and a half minutes per hour of the available advertising time on the TeleFutura network. Those allocations are subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as our exclusive sales representative for the sale of national advertising on our Univision- and TeleFutura-affiliate television stations, and we pay certain sales representation fees to Univision relating to sales of all advertising for broadcast on our Univision- and TeleFutura-affiliate television stations. During the three-month periods ended September 30, 2012 and 2011, the amount we paid Univision in this capacity was \$2.8 million and \$2.4 million, respectively. During the nine-month periods ended September 30, 2012 and 2011, the amount we paid Univision in this capacity was \$7.5 million and \$5.9 million, respectively.

We also generate revenue under two marketing and sales agreements with Univision, which give us the right through 2021 to manage the marketing and sales operations of Univision-owned TeleFutura and Univision affiliates in nine markets – Albuquerque, Boston, Denver, Orlando, Tampa and Washington, D.C.

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and TeleFutura-affiliated television station signals for a term of six years, expiring in December 2014. Among other things, the proxy agreement provides terms relating to compensation to be paid to us by Univision with respect to retransmission consent agreements entered into with MVPDs. As of September 30, 2012, the amount due to us from Univision was \$6.1 million related to the agreements for the carriage of our Univision and TeleFutura-affiliated television station signals.

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Univision currently owns approximately 10% of our common stock on a fully-converted basis. As of December 31, 2005, Univision owned approximately 30% of our common stock on a fully-converted basis. In connection with its merger with Hispanic Broadcasting Corporation in September 2003, Univision entered into an agreement with the U.S. Department of Justice, or DOJ, pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of our company would not exceed 10% by March 26, 2009. In January 2006, we sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for \$90 million. Univision paid the full amount of the purchase price in the form of approximately 12.6 million shares of our Class U common stock held by Univision. Subsequently, in 2006, we repurchased 7.2 million shares of our Class U common stock held by Univision for \$52.5 million. In February 2008, we repurchased 1.5 million shares of Class U common stock held by Univision for \$10.4 million. In May 2009, we repurchased an additional 0.9 million shares of Class A common stock held by Univision for \$0.5 million.

The Company's Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. However, as the holder of all of the Company's issued and outstanding Class U common stock, Univision currently has the right to approve any merger, consolidation or other business combination involving the Company, any dissolution of the Company and any assignment of the Federal Communications Commission, or FCC, licenses for any of the Company's Univision-affiliated television stations. Each share of Class U common stock is automatically convertible into one share of the Company's Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

## **Recent Accounting Pronouncements**

In July 2012, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment ( ASU 2012-02 ). Under this guidance, an entity would not be required to calculate the fair value of an indefinite-lived intangible asset unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. ASU 2012-02 is effective during interim and annual periods beginning after September 15, 2012. We are currently evaluating the impact of this standard on the consolidated financial statements.

**Table of Contents****Three-and Nine-Month Periods Ended September 30, 2012 and 2011**

The following table sets forth selected data from our operating results for the three- and nine-month periods ended September 30, 2012 and 2011 (in thousands):

|   | Three-Month Period<br>Ended September 30, |            |             | Nine-Month Period<br>Ended September 30, |            |             |
|---|---|------------|-------------|--|------------|-------------|
|   | 2012                                      | 2011       | %<br>Change | 2012                                     | 2011       | %<br>Change |
| <b>Statements of Operations Data:</b>   |   |            |             |  |            |             |
| Net revenue   | \$ 58,486                                 | \$ 50,115  | 17%         | \$ 159,501                               | \$ 144,424 | 10%         |
| Direct operating expenses   | 23,293                                    | 22,582     | 3%          | 67,803                                   | 65,890     | 3%          |
| Selling, general and administrative expenses                                      | 9,593                                     | 8,621      | 11%         | 28,600                                   | 27,150     | 5%          |
| Corporate expenses  | 4,465                                     | 3,885      | 15%         | 12,527                                   | 11,402     | 10%         |
| Depreciation and amortization   | 4,013                                     | 5,015      | (20)%       | 12,436                                   | 14,172     | (12)%       |
|   | 41,364                                    | 40,103     | 3%          | 121,366                                  | 118,614    | 2%          |
| Operating income (loss)   | 17,122                                    | 10,012     | 71%         | 38,135                                   | 25,810     | 48%         |
| Interest expense  | (8,671)                                   | (9,444)    | (8)%        | (26,730)                                 | (28,346)   | (6)%        |
| Interest income   | 10  |            | *           | 23                                       | 2          | *           |
| Other income (loss)   |   |            | *           |  | 687        | (100)%      |
| Gain (loss) on debt extinguishment  |   |            | *           | (1,230)                                  |            | *           |
| Income (loss) before income taxes   | 8,461                                     | 568        | *           | 10,198                                   | (1,847)    | *           |
| Income tax (expense) benefit  | (1,228)                                   | (1,952)    | (37)%       | (4,294)                                  | (4,321)    | (1)%        |
| Net income (loss) applicable to common stockholders                               | \$ 7,233                                  | \$ (1,384) | *           | \$ 5,904                                 | \$ (6,168) | *           |
| <b>Other Data:</b>  |   |            |             |  |            |             |
| Capital expenditures  | 3,546                                     | 1,949      |             | 7,134                                    | 6,315      |             |
| Consolidated adjusted EBITDA (adjusted for non-cash stock-based compensation) (1) |   |            |             | 51,521                                   | 41,132     |             |
| Net cash provided by (used in) operating activities                               |   |            |             | 13,678                                   | 4,706      |             |
| Net cash provided by (used in) investing activities                               |   |            |             | (6,502)                                  | (7,130)    |             |
| Net cash provided by (used in) financing activities                               |   |            |             | (20,657)                                 | (987)      |             |

(1) Consolidated adjusted EBITDA means net income (loss) plus gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation included in operating and corporate expenses, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) on nonconsolidated affiliate, non-cash losses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our 2010 Credit Facility and does not include gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) on nonconsolidated affiliate, non-cash losses and syndication programming amortization and does include syndication programming payments.

Since our ability to borrow from our 2010 Credit Facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our 2010 Credit Facility contains certain financial covenants relating to the maximum total leverage ratio, maximum revolving credit leverage ratio, minimum cash interest coverage ratio and minimum fixed charge coverage ratio. The maximum total leverage ratio, or the ratio of consolidated total debt to trailing-twelve-month consolidated adjusted EBITDA, affects our ability to borrow from our 2010 Credit Facility. Under the 2010 Credit Facility, our maximum total leverage ratio may not exceed 7.00 to 1. The total leverage ratio was as follows (in each case as of September 30): 2012, 5.5 to 1; 2011, 6.9 to 1. Therefore, we were in compliance with this covenant at each of those dates.

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While many in the financial community and we consider consolidated adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of liquidity and financial performance prepared in accordance with accounting principles generally accepted in the United States of America, such as cash flows from operating activities, operating income and net income. As consolidated adjusted EBITDA excludes non-cash gain (loss) on sale of assets, non-cash depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation expense, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) on nonconsolidated affiliate, non-cash losses and syndication programming amortization and includes syndication programming payments, consolidated adjusted EBITDA has certain limitations because it excludes and includes several important non-cash financial line items. Therefore, we consider both non-GAAP and GAAP measures when evaluating our business. Consolidated adjusted EBITDA is also used to make executive compensation decisions.

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Consolidated adjusted EBITDA is a non-GAAP measure. The most directly comparable GAAP financial measure to consolidated adjusted EBITDA is cash flows from operating activities. A reconciliation of this non-GAAP measure to cash flows from operating activities follows (in thousands):

|  | <b>Nine-Month Period<br/>Ended September 30,</b> |                 |
|--|--|-----------------|
|  | <b>2012</b>                                      | <b>2011</b>     |
| Consolidated adjusted EBITDA (1)   | \$ 51,521  | \$ 41,132       |
| Interest expense   | (26,730)   | (28,346)        |
| Interest income  | 23   | 2               |
| Income tax (expense) benefit   | (4,294)  | (4,321)         |
| Amortization of syndication contracts  | (556)  | (1,297)         |
| Payments on syndication contracts  | 1,369  | 1,506           |
| Non-cash stock-based compensation included in direct operating expenses                    | (101)  | (155)           |
| Non-cash stock-based compensation included in selling, general and administrative expenses | (546)  | (472)           |
| Non-cash stock-based compensation included in corporate expenses                           | (1,116)  | (732)           |
| Depreciation and amortization  | (12,436)   | (14,172)        |
| Other income (loss)  |  | 687             |
| Gain (loss) on debt extinguishment   | (1,230)  |                 |
| <b>Net income (loss)</b>   | <b>5,904</b>                                     | <b>(6,168)</b>  |
| Depreciation and amortization  | 12,436   | 14,172          |
| Deferred income taxes  | 3,485  | 3,444           |
| Amortization of debt issue costs   | 1,706  | 1,642           |
| Amortization of syndication contracts  | 556  | 1,297           |
| Payments on syndication contracts  | (1,369)  | (1,506)         |
| Non-cash stock-based compensation  | 1,763  | 1,359           |
| Other (income) loss  |  | (687)           |
| Gain (loss) on debt extinguishment   | 1,230  |                 |
| Changes in assets and liabilities, net of effect of acquisitions and dispositions:         |  |                 |
| (Increase) decrease in restricted cash   |  | 809             |
| (Increase) decrease in accounts receivable   | (3,511)  | 1,655           |
| (Increase) decrease in prepaid expenses and other assets                                   | (1,056)  | (261)           |
| Increase (decrease) in accounts payable, accrued expenses and other liabilities            | (7,466)  | (11,050)        |
| <b>Cash flows from operating activities</b>  | <b>\$ 13,678</b>                                 | <b>\$ 4,706</b> |

**Consolidated Operations**

*Net Revenue.* Net revenue increased to \$58.5 million for the three-month period ended September 30, 2012 from \$50.1 million for the three-month period ended September 30, 2011, an increase of \$8.4 million. Of the overall increase, \$7.3 million came from our television segment and was primarily attributable to increases in political advertising revenue, which was not material in 2011, core advertising revenue and retransmission consent revenue. Additionally, \$1.1 million of the overall increase came from our radio segment and was primarily attributable to increases in core advertising revenue and political advertising revenue, which was not material in 2011.

Net revenue increased to \$159.5 million for the nine-month period ended September 30, 2012 from \$144.4 million for the nine-month period ended September 30, 2011, an increase of \$15.1 million. Of the overall increase, \$14.1 million came from our television segment and was primarily attributable to increases in core advertising revenue, political advertising revenue, which was not material in 2011, and retransmission consent revenue. Additionally, \$1.0 million of the overall increase came from our radio segment and was primarily attributable to increases in political advertising revenue, which was not material in 2011, and core advertising revenue.



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We currently anticipate that net revenue will continue to increase for the full year 2012, primarily due to increased core advertising revenue, political advertising revenue and increased retransmission consent revenue. However, we believe that we will continue to face a challenging advertising environment during at least the remainder of 2012 as our advertising customers continue to make difficult choices in the current uncertain economic environment.

*Direct Operating Expenses.* Direct operating expenses increased to \$23.3 million for the three-month period ended September 30, 2012 from \$22.6 million for the three-month period ended September 30, 2011, an increase of \$0.7 million. The increase came from our television segment and was primarily attributable to an increase in expenses associated with the increase in net revenue and an increase in salary expense. As a percentage of net revenue, direct operating expenses decreased to 40% for the three-month period ended September 30, 2012 from 45% for the three-month period ended September 30, 2011. Direct operating expenses as a percentage of net revenue decreased because the increase in net revenue outpaced the increase in direct operating expenses.

Direct operating expenses increased to \$67.8 million for the nine-month period ended September 30, 2012 from \$65.9 million for the nine-month period ended September 30, 2011, an increase of \$1.9 million. Of the overall increase, \$1.6 million came from our television segment and was primarily attributable to an increase in expenses associated with the increase in net revenue and an increase in salary expense. Additionally, \$0.3 million of the overall increase came from our radio segment and was primarily attributable to an increase in salary expense. As a percentage of net revenue, direct operating expenses decreased to 43% for the nine-month period ended September 30, 2012 from 46% for the nine-month period ended September 30, 2011. Direct operating expenses as a percentage of net revenue decreased because the increase in net revenue outpaced the increase in direct operating expenses.

We believe that direct operating expenses will continue to increase during 2012 primarily as a result of expenses associated with the anticipated increase in net revenue and employee salary increases.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased to \$9.6 million for the three-month period ended September 30, 2012 from \$8.6 million for the three-month period ended September 30, 2011, an increase of \$1.0 million. Of the overall increase, \$0.7 million came from our television segment and was primarily attributable to an increase in bad debt expense and an increase in salary expense. Additionally, \$0.3 million of the overall increase came from our radio segment and was primarily attributable to an increase in salary expense. As a percentage of net revenue, selling, general and administrative expenses decreased to 16% for the three-month period ended September 30, 2012 from 17% for the three-month period ended September 30, 2011. Selling, general and administrative expenses as a percentage of net revenue decreased because the increase in net revenue outpaced the increase in selling, general and administrative expenses.

Selling, general and administrative expenses increased to \$28.6 million for the nine-month period ended September 30, 2012 from \$27.1 million for the nine-month period ended September 30, 2011, an increase of \$1.5 million. Of the overall increase, \$1.1 million came from our television segment and was primarily attributable to an increase in salary expense. Additionally, \$0.4 million of the overall increase came from our radio segment and was primarily attributable to an increase in salary expense. As a percentage of net revenue, selling, general and administrative expenses decreased to 18% for the nine-month period ended September 30, 2012 from 19% for the nine-month period ended September 30, 2011. Selling, general and administrative expenses as a percentage of net revenue decreased because the increase in net revenue outpaced the increase in selling, general and administrative expenses.

We believe that selling, general and administrative expenses will continue to increase during 2012 primarily as a result of employee salary increases.

*Corporate Expenses.* Corporate expenses increased to \$4.5 million for the three-month period ended September 30, 2012 from \$3.9 million for the three-month period ended September 30, 2011, an increase of \$0.6 million. The increase was primarily attributable to the increase in bonuses, non-cash stock-based compensation, salary expense and interactive media-related expenses. As a percentage of net revenue, corporate expenses remained constant at 8% for each of the three-month periods ended September 30, 2012 and 2011.

Corporate expenses increased to \$12.5 million for the nine-month period ended September 30, 2012 from \$11.4 million for the nine-month period ended September 30, 2011, an increase of \$1.1 million. The increase was primarily attributable to

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the increase in bonuses, non-cash stock-based compensation, salary expense and interactive media-related expenses. As a percentage of net revenue, corporate expenses remained constant at 8% for each of the nine-month periods ended September 30, 2012 and 2011.

We believe that corporate expenses will continue to increase during 2012 primarily as a result of increased bonuses, non-cash stock-based compensation, salary expense and interactive media-related expenses.

*Depreciation and Amortization.* Depreciation and amortization decreased to \$4.0 million for the three-month period ended September 30, 2012 from \$5.0 million for the three-month period ended September 30, 2011, a decrease of \$1.0 million. The decrease was primarily due to a decrease in depreciation as certain assets are now fully depreciated.

Depreciation and amortization decreased to \$12.4 million for the nine-month period ended September 30, 2012 from \$14.2 million for the nine-month period ended September 30, 2011, a decrease of \$1.8 million. The decrease was primarily due to a decrease in depreciation as certain assets are now fully depreciated.

*Operating Income.* As a result of the above factors, operating income was \$17.1 million for the three-month period ended September 30, 2012, compared to \$10.0 million for the three-month period ended September 30, 2011. As a result of the above factors, operating income was \$38.1 million for the nine-month period ended September 30, 2012, compared to \$25.8 million for the nine-month period ended September 30, 2011.

*Interest Expense.* Interest expense decreased to \$8.7 million for the three-month period ended September 30, 2012 from \$9.4 million for the three-month period ended September 30, 2011, a decrease of \$0.7 million. On May 30, 2012, we repurchased \$20.0 million of our Notes. During the fourth quarter of 2011, we repurchased \$16.2 million of our Notes. The decrease in interest expense was primarily attributable to the decrease in our outstanding debt.

Interest expense decreased to \$26.7 million for the nine-month period ended September 30, 2012 from \$28.3 million for the nine-month period ended September 30, 2011, a decrease of \$1.6 million. On May 30, 2012, we repurchased \$20.0 million of our Notes. During the fourth quarter of 2011, we repurchased \$16.2 million of our Notes. The decrease in interest expense was primarily attributable to the decrease in our outstanding debt.

*Other Income.* We recorded other income of \$0.7 million related to the remeasurement of our previously-held 50% interest in Lotus/Entravision Repts LLC, or LER, to fair value in connection with our acquisition of the remaining 50% interest of LER during the nine-month period ended September 30, 2011.

*Loss on Debt Extinguishment.* We recorded a loss on debt extinguishment of \$1.2 million related to the premium paid, unamortized finance costs and unamortized bond discount associated with the repurchase of Notes during the nine-month period ended September 30, 2012.

*Income Tax Expense.* Income tax expense for the nine-month period ended September 30, 2012 was \$4.3 million. The effective income tax rate was higher than our statutory rate of 34% due to changes in the valuation allowance and deductions attributable to indefinite-lived intangible assets. Income tax expense for the nine-month period ended September 30, 2011 was \$4.3 million. The effective income tax rate was lower than our statutory rate of 34% due to changes in the valuation allowance and deductions attributable to indefinite-lived intangible assets.

As of September 30, 2012, we believe that our deferred tax assets will not be fully realized in the future and we are providing a full valuation allowance against those deferred tax assets. In determining our deferred tax assets subject to a valuation allowance, we excluded the deferred tax liabilities attributable to indefinite-lived intangibles.

## **Segment Operations**

### ***Television***

*Net Revenue.* Net revenue in our television segment increased to \$40.9 million for the three-month period ended September 30, 2012 from \$33.6 million for the three-month period ended September 30, 2011, an increase of \$7.3 million. The increase was primarily attributable to increases in political advertising revenue, which was not material in 2011, core advertising revenue and retransmission consent revenue. We generated a total of \$4.9 million and \$4.2 million in retransmission consent revenue for the three-month periods ended September 30, 2012 and 2011, respectively.





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Net revenue in our television segment increased to \$111.5 million for the nine-month period ended September 30, 2012 from \$97.4 million for the nine-month period ended September 30, 2011, an increase of \$14.1 million. The increase was primarily attributable to increases in core advertising revenue, political advertising revenue, which was not material in 2011, and retransmission consent revenue. We generated a total of \$15.0 million and \$12.8 million in retransmission consent revenue for the nine-month periods ended September 30, 2012 and 2011, respectively. We anticipate that retransmission consent revenue for the full year 2012 will be greater than it was for the full year 2011 and will continue to be a growing source of net revenues in future periods.

*Direct Operating Expenses.* Direct operating expenses in our television segment increased to \$14.3 million for the three-month period ended September 30, 2012 from \$13.7 million for the three-month period ended September 30, 2011, an increase of \$0.6 million. The increase was primarily attributable to an increase in expenses associated with the increase in net revenue and an increase in salary expense.

Direct operating expenses in our television segment increased to \$41.6 million for the nine-month period ended September 30, 2012 from \$40.0 million for the nine-month period ended September 30, 2011, an increase of \$1.6 million. The increase was primarily attributable to an increase in expenses associated with the increase in net revenue and an increase in salary expense.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses in our television segment increased to \$5.2 million for the three-month period ended September 30, 2012 from \$4.5 million for the three-month period ended September 30, 2011, an increase of \$0.7 million. The increase was primarily attributable to an increase in bad debt expense and an increase in salary expense.

Selling, general and administrative expenses in our television segment increased to \$15.7 million for the nine-month period ended September 30, 2012 from \$14.7 million for the nine-month period ended September 30, 2011, an increase of \$1.0 million. The increase was primarily attributable to an increase in salary expense.

***Radio***

Net Revenue. Net revenue in our radio segment increased to \$17.6 million for the three-month period ended September 30, 2012 from \$16.6 million for the three-month period ended September 30, 2011, an increase of \$1.0 million. The increase was primarily attributable to increases in core advertising revenue and political advertising revenue, which was not material in 2011.

Net revenue in our radio segment increased to \$48.0 million for the nine-month period ended September 30, 2012 from \$47.1 million for the nine-month period ended September 30, 2011, an increase of \$0.9 million. The increase was primarily attributable to increases in political advertising revenue, which was not material in 2011, and core advertising revenue.

*Direct Operating Expenses.* Direct operating expenses in our radio segment was \$8.9 million for each of the three-month periods ended September 30, 2012 and 2011.

Direct operating expenses in our radio segment increased to \$26.2 million for the nine-month period ended September 30, 2012 from \$25.9 million for the nine-month period ended September 30, 2011, an increase of \$0.3 million. The increase was primarily attributable to an increase in salary expense.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses in our radio segment increased to \$4.4 million for the three-month period ended September 30, 2012 from \$4.1 million for the three-month period ended September 30, 2011, an increase of \$0.3 million. The increase was primarily attributable to an increase in salary expense.

Selling, general and administrative expenses in our radio segment increased to \$12.9 million for the nine-month period ended September 30, 2012 from \$12.5 million for the nine-month period ended September 30, 2011, an increase of \$0.4 million. The increase was primarily attributable to an increase in salary expense.

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**Table of Contents****Liquidity and Capital Resources**

While we have a history of operating losses in some periods and operating income in other periods, we also have a history of generating significant positive cash flows from our operations. Although we had net losses of approximately \$8.2 million and \$18.1 million for the years ended December 31, 2011 and 2010, respectively, we had positive cash flow from operations of \$17.6 million and \$37.1 million for the years ended December 31, 2011 and 2010, respectively. We generated cash flow from operations of \$13.7 million for the nine-month period ended September 30, 2012 and we expect to have positive cash flow from operations for the 2012 year. We expect to fund our working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand and cash flows from operations. We currently anticipate that funds generated from operations, cash on hand and available borrowings under our 2010 Credit Facility will be sufficient to meet our anticipated cash requirements for at least the next twelve months.

**Notes**

On July 27, 2010, we completed the offering and sale of \$400 million aggregate principal amount of our Notes. The Notes were issued at a discount of 98.722% of their principal amount and mature on August 1, 2017. Interest on the Notes accrues at a rate of 8.75% per annum from the date of original issuance and is payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2011. We received net proceeds of approximately \$388 million from the sale of the Notes (net of bond discount of \$5 million and fees of \$7 million), which were used to pay all indebtedness outstanding under our previous syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to offering of the Notes and for general corporate purposes.

During the fourth quarter of 2011, we repurchased Notes on the open market with a principal amount of \$16.2 million. We recorded a loss on debt extinguishment of \$0.4 million primarily due to the write off of unamortized finance costs and unamortized bond discount.

On May 30, 2012, we repurchased Notes with a principal amount of \$20.0 million pursuant to the optional redemption provisions in the Indenture. The redemption price for the redeemed Notes was 103% of the principal amount plus all accrued and unpaid interest. We recorded a loss on debt extinguishment of \$1.2 million related to the premium paid and the write off of unamortized finance costs and unamortized bond discount.

The Notes are guaranteed on a senior secured basis by all of our existing and future wholly-owned domestic subsidiaries (the Note Guarantors). The Notes and the guarantees rank equal in right of payment to all of our and the guarantors' existing and future senior indebtedness and senior in right of payment to all of our and the Note Guarantors' existing and future subordinated indebtedness. In addition, the Notes and the guarantees are effectively junior: (i) to our and the Note Guarantors' indebtedness secured by assets that are not collateral; (ii) pursuant to an Intercreditor Agreement entered into at the same time that we entered into the 2010 Credit Facility described below; and (iii) to all of the liabilities of any of our existing and future subsidiaries that do not guarantee the Notes, to the extent of the assets of those subsidiaries. The Notes are secured by substantially all of our assets, as well as the pledge of the stock of substantially all of our subsidiaries, including the special purpose subsidiary formed to hold the Company's FCC licenses.

At our option, we may redeem:

prior to August 1, 2013, on one or more occasions, up to 10% of the original principal amount of the Notes during each 12-month period beginning on August 1, 2010, at a redemption price equal to 103% of the principal amount of the Notes, plus accrued and unpaid interest;

prior to August 1, 2013, on one or more occasions, up to 35% of the original principal amount of the Notes with the net proceeds from certain equity offerings, at a redemption price of 108.750% of the principal amount of the Notes, plus accrued and unpaid interest; provided that: (i) at least 65% of the aggregate principal amount of all Notes issued under the Indenture remains outstanding immediately after such redemption; and (ii) such redemption occurs within 60 days of the date of closing of any such equity offering;

prior to August 1, 2013, some or all of the Notes may be redeemed at a redemption price equal to 100% of the principal amount of the Notes plus a make-whole premium plus accrued and unpaid interest; and

on or after August 1, 2013, some or all of the Notes may be redeemed at a redemption price of: (i) 106.563% of

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the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2013; (ii) 104.375% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2014; (iii) 102.188% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2015; and (iv) 100% of the principal amount of the Notes if redeemed on or after August 1, 2016, in each case plus accrued and unpaid interest.

In addition, upon a change of control of the Company, as defined in the Indenture, we must make an offer to repurchase all Notes then outstanding, at a purchase price equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest. In addition, we may at any time and from time to time purchase Notes in the open market or otherwise.

Upon an event of default, as defined in the Indenture, the Notes will become due and payable: (i) immediately without further notice if such event of default arises from events of bankruptcy or insolvency of the Company, any Note Guarantor or any restricted subsidiary; or (ii) upon a declaration of acceleration of the Notes in writing to the Company by the Trustee or holders representing 25% of the aggregate principal amount of the Notes then outstanding, if an event of default occurs and is continuing. The Indenture contains additional provisions that are customary for an agreement of this type, including indemnification by us and the Note Guarantors.

***2010 Credit Facility***

On July 27, 2010, we also entered into a \$50 million revolving credit facility (our 2010 Credit Facility ) and terminated the amended syndicated bank credit facility agreement. Our 2010 Credit Facility consists of a three-year \$50 million revolving credit facility that expires on July 27, 2013, which includes a \$3 million sub-facility for letters of credit. In addition, we may increase the aggregate principal amount of our 2010 Credit Facility by up to an additional \$50 million, subject to our satisfying certain conditions. As of September 30, 2012, we had approximately \$0.7 million in outstanding letters of credit. We currently have no borrowings outstanding under the 2010 Credit Facility.

Our 2010 Credit Facility is guaranteed on a senior secured basis by all of our existing and future wholly-owned domestic subsidiaries (the Credit Guarantors ), which are also the Note Guarantors (collectively, the Guarantors ). Our 2010 Credit Facility is secured on a first priority basis by our and the Credit Guarantors' assets, which also secure the Notes. Our borrowings, if any, under our 2010 Credit Facility rank senior to the Notes upon the terms set forth in the Intercreditor Agreement that we entered into in connection with our 2010 Credit Facility. Our 2010 Credit Facility is secured by substantially all of the assets, as well as the pledge of the stock of substantially all of the subsidiaries, including the special purpose subsidiary formed to hold our FCC licenses.

In February 2012, we entered into an amendment to the credit agreement governing the 2010 Credit Facility (the amended Credit Agreement ). The amendment changed certain thresholds for financial covenants relating to total leverage ratio, fixed charge coverage ratio, cash interest coverage ratio and revolving credit facility leverage ratio. In addition, on or after March 31, 2012, the financial covenants shall not be applicable unless any loans are outstanding on the relevant date. The amendment also contains other provisions that are customary for an agreement of this type.

Borrowings under our 2010 Credit Facility bear interest at either: (i) the Base Rate (as defined in the amended Credit Agreement) plus a margin of 3.375% per annum; or (ii) LIBOR plus a margin of 4.375% per annum. We have not drawn on our 2010 Credit Facility.

Upon an event of default, as defined in the amended Credit Agreement, the lenders may, among other things, suspend or terminate their obligation to make further loans to us and/or declare all amounts then outstanding under our 2010 Credit Facility to be immediately due and payable. The amended Credit Agreement also contains additional provisions that are customary for an agreement of this type, including indemnification by us and the Credit Guarantors.

In connection with our entering into the Indenture and the amended Credit Agreement, we and the Guarantors also entered into the following agreements:

A Security Agreement, pursuant to which we and the Guarantors each granted a first priority security interests in the collateral securing the Notes and our 2010 Credit Facility for the benefit of the holders of the Notes and the lenders under our 2010 Credit Facility; and

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An Intercreditor Agreement, in order to define the relative rights of the holders of the Notes and the lenders under our 2010 Credit Facility with respect to the collateral securing our and the Guarantors' respective obligations under the Notes and our 2010 Credit Facility; and

A Registration Rights Agreement, pursuant to which we registered the Notes and successfully conducted an exchange offering for the Notes in unregistered form, as originally issued.

Subject to certain exceptions, both the Indenture and the amended Credit Agreement contain various provisions that limit our ability, among other things, to:

incur additional indebtedness;

incur liens;

merge, dissolve, consolidate, or sell all or substantially all of our assets;

make certain investments;

make certain restricted payments;

declare certain dividends or distributions or repurchase shares of our capital stock;

enter into certain transactions with affiliates; and

change the nature of our business.

In addition, the Indenture contains various provisions that limit our ability to:

apply the proceeds from certain asset sales other than in accordance with the terms of the Indenture; and

restrict dividends or other payments from subsidiaries.

In addition, the amended Credit Agreement contains various provisions that limit our ability to:

dispose of certain assets; and

amend our or any guarantor's organizational documents of the Company in any way that is materially adverse to the lenders under our 2010 Credit Facility.

Moreover, if we fail to comply with any of the financial covenants or ratios under our 2010 Credit Facility, our lenders could:

Elect to declare all amounts borrowed to be immediately due and payable, together with accrued and unpaid interest; and/or

Terminate their commitments, if any, to make further extensions of credit.

In addition, if our total leverage ratio exceeds 6.50 to 1.00 as of the end of the most recently completed fiscal quarter, the maximum principal outstanding amount of all loans under our 2010 Credit Facility cannot exceed \$25.0 million. In the event that the maximum principal outstanding amount exceeds \$25.0 million in that case, we must immediately prepay outstanding revolving loans in an amount sufficient to eliminate such excess.

***Debt and Equity Financing***

On November 1, 2006, our Board of Directors approved a \$100 million stock repurchase program. We were authorized to repurchase up to \$100 million of our outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private repurchases. On April 7, 2008, our Board of Directors approved an additional \$100 million stock repurchase program. We have repurchased a total of 20.8 million shares of Class A common

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stock for approximately \$120.3 million under both plans from inception through September 30, 2012. We did not repurchase any shares of Class A common stock during 2010, 2011 or 2012. Subject to certain exceptions, both the Indenture and the amended Credit Agreement contain various provisions that limit our ability to make future repurchases of shares of our common stock.

**Consolidated Adjusted EBITDA**

Consolidated adjusted EBITDA (as defined below) increased to \$51.5 million for the nine-month period ended September 30, 2012 from \$41.1 million for the nine-month period ended September 30, 2011, an increase of \$10.4 million, or 25%. As a percentage of net revenue, consolidated adjusted EBITDA increased to 32% for the nine-month period ended September 30, 2012 from 28% for the nine-month period ended September 30, 2011.

We define consolidated adjusted EBITDA as net income (loss) plus gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation included in operating and corporate expenses, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) on nonconsolidated affiliate, non-cash losses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our 2010 Credit Facility and does not include gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense), equity in net income (loss) on nonconsolidated affiliate, non-cash losses and syndication programming amortization and does include syndication programming payments.

Since our ability to borrow from our 2010 Credit Facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our 2010 Credit Facility contains certain financial covenants relating to the maximum total leverage ratio, maximum revolving credit leverage ratio, minimum cash interest coverage ratio and minimum fixed charge coverage ratio. The maximum total leverage ratio, or the ratio of consolidated total debt to trailing-twelve-month consolidated adjusted EBITDA, affects our ability to borrow from our 2010 Credit Facility. Under the 2010 Credit Facility, our maximum total leverage ratio may not exceed 7.00 to 1. The total leverage ratio was as follows (in each case as of September 30): 2012, 5.5 to 1; 2011, 6.9 to 1. Therefore, we were in compliance with this covenant at each of those dates.

While many in the financial community and we consider consolidated adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of liquidity and financial performance prepared in accordance with accounting principles generally accepted in the United States of America, such as cash flows from operating activities, operating income and net income. As consolidated adjusted EBITDA excludes non-cash gain (loss) on sale of assets, non-cash depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation expense, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) on nonconsolidated affiliate, non-cash losses and syndication programming amortization and includes syndication programming payments, consolidated adjusted EBITDA has certain limitations because it excludes and includes several important non-cash financial line items. Therefore, we consider both non-GAAP and GAAP measures when evaluating our business. Consolidated adjusted EBITDA is also used to make executive compensation decisions.

Consolidated adjusted EBITDA is a non-GAAP measure. For a reconciliation of consolidated adjusted EBITDA to cash flows from operating activities, its most directly comparable GAAP financial measure, please see page 23.

**Cash Flow**

Net cash flow provided by operating activities was \$13.7 million for the nine-month period ended September 30, 2012, compared to net cash flow provided by operating activities of \$4.7 million for the nine-month period ended September 30, 2011. We had net income of \$5.9 million for the nine-month period ended September 30, 2012. Our net income for the nine-month period ended September 30, 2012 was lower than cash flows from operating activities primarily due to non-cash items, including depreciation and amortization expense of \$12.4 million. We had a net loss of \$6.2 million for the nine-month period ended September 30, 2011, which was primarily a result of non-cash expenses, including depreciation and amortization expense of \$14.2 million. We expect to have positive cash flow from operating activities for the 2012 year.

Net cash flow used in investing activities was \$6.5 million for the nine-month period ended September 30, 2012, compared to net cash flow used in investing activities of \$7.1 million for the nine-month period ended September 30, 2011.



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During the nine-month period ended September 30, 2012, we spent \$6.5 million on net capital expenditures. During the nine-month period ended September 30, 2011, we spent \$5.9 million on net capital expenditures, \$0.7 million related to the purchase of an FCC license and \$0.6 million related to the acquisition of LER. We anticipate that our capital expenditures will be approximately \$10 million during the full year 2012. The amount of our anticipated capital expenditures may change based on future changes in business plans, our financial condition and general economic conditions. We expect to fund capital expenditures with cash on hand and net cash flow from operations.

Net cash flow used in financing activities was \$20.7 million for the nine-month period ended September 30, 2012, compared to net cash flow used in financing activities of \$1.0 million for the nine-month period ended September 30, 2011. During the nine-month period ended September 30, 2012, we made payments of \$20.0 million to repurchase debt and \$0.6 million for the related debt premium. During the nine-month period ended September 30, 2011, we made debt payments of \$1.0 million.

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

#### **General**

Market risk represents the potential loss that may impact our financial position, results of operations or cash flows due to adverse changes in the financial markets. We are not exposed to market risk from changes in the base rates as our debt is at a fixed rate. Since we pay interest at a fixed rate, any future increase in the variable interest rate would not affect our interest expense payments under the Notes. Our current policy prohibits entering into derivatives or other financial instrument transactions for speculative purposes.

#### **Interest Rates**

On July 27, 2010, we completed the offering and sale of \$400 million aggregate principal amount of our Notes. The Notes were issued at a discount of 98.722% of their principal amount and mature on August 1, 2017. Interest on the Notes accrues at a rate of 8.75% per annum from the date of original issuance and is payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2011. We received net proceeds of approximately \$388 million from the sale of the Notes (net of bond discount of \$5 million and fees of \$7 million), which were used to pay all indebtedness outstanding under our previous syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to offering of the Notes and provide capital for general corporate purposes.

### **ITEM 4. CONTROLS AND PROCEDURES**

We conducted an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this quarterly report. Based on this evaluation, our chief executive officer and chief financial officer concluded that, as of the evaluation date, our disclosure controls and procedures were effective.

Our disclosure controls and procedures are designed to ensure that the information relating to our company, including our consolidated subsidiaries, required to be disclosed in our SEC reports is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms, and is accumulated and communicated to our management, including our chief executive officer and chief financial officer, as appropriate to allow for timely decisions regarding required disclosure.

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of any system of controls is based in part on 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.

There have not been any changes in our internal control over financial reporting during the period covered by this quarterly report that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II.**

**OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We currently and from time to time are involved in litigation incidental to the conduct of our business, but we are not currently a party to any lawsuit or proceeding which, in the opinion of management, is likely to have a material adverse effect on us or our business.

**ITEM 1A. RISK FACTORS**

No material change.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable

**ITEM 5. OTHER INFORMATION**

Not applicable

**ITEM 6. EXHIBITS**

The following exhibits are attached hereto and filed herewith:

|           |   |
|-----------|---|
| 31.1*     | Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934. |
| 31.2*     | Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934. |
| 32*       | Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.              |
| 101.INS** | XBRL Instance Document.   |
| 101.SCH** | XBRL Taxonomy Extension Schema Document.  |
| 101.CAL** | XBRL Taxonomy Extension Calculation Linkbase Document.  |
| 101.LAB** | XBRL Taxonomy Extension Label Linkbase Document.  |
| 101.PRE** | XBRL Taxonomy Extension Presentation Linkbase Document.   |
| 101.DEF** | XBRL Taxonomy Extension Definition Linkbase.  |

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- \* Filed herewith.
- \*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.

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**SIGNATURE**

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.

ENTRAVISION COMMUNICATIONS CORPORATION

By: */s/ CHRISTOPHER T. YOUNG*  
**Christopher T. Young**

**Executive Vice President, Treasurer**

**and Chief Financial Officer**

Date: November 2, 2012

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**EXHIBIT INDEX**

| <b>Exhibit</b> |   |
|----------------|---|
| <b>Number</b>  | <b>Description of Exhibit</b>   |
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| 32*            | Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.              |
| 101.INS**      | XBRL Instance Document.   |
| 101.SCH**      | XBRL Taxonomy Extension Schema Document.  |
| 101.CAL**      | XBRL Taxonomy Extension Calculation Linkbase Document.  |
| 101.DEF**      | XBRL Taxonomy Extension Definition Linkbase.  |
| 101.LAB**      | XBRL Taxonomy Extension Label Linkbase Document.  |
| 101.PRE**      | XBRL Taxonomy Extension Presentation Linkbase Document.   |

\* Filed herewith.

\*\* XBRL (Extensible Business Reporting Language) information is furnished and not filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, is deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, and otherwise is not subject to liability under these sections.