ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
August 10, 2010
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2010

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	**95-4783236**
(State or other jurisdiction of incorporation or organization)	**(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 x 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 x

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

As of August 2, 2010, there were 52,567,482 shares, $0.0001 par value per share, of the registrant s Class A common stock outstanding, 22,587,433 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 SIX-MONTH PERIODS ENDED JUNE 30, 2010

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GENERAL NOTE

On July 27, 2010, we completed the offering and sale of $400 million aggregate principal amount of our 8.75% Senior Secured First Lien Notes (the Notes). On such date, we also repaid all amounts outstanding under the syndicated bank credit facility and terminated the amended syndicated bank credit facility relating thereto. All references to and discussions regarding the syndicated bank credit facility, including without limitation, the term loan, the revolving facility and interest rate swap agreements, and the amended syndicated bank credit facility agreement in this report should be considered in light of this fact.

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 c 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 the agreements governing our debt instruments, including the amended credit facility agreement governing our syndicated bank credit facility;
- our continued compliance with all of our obligations;
- 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;

subject to restrictions contained in the amended credit facility 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;

the duration and severity of 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 recent passage of new federal healthcare laws.

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 25 of our Annual Report on Form 10-K for the year ended December 31, 2009.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	June 30, 2010 (Unaudited)	December 31, 2009
ASSETS		
Current assets		
Cash and cash equivalents	$ 25,721	$ 27,666
Trade receivables, net of allowance for doubtful accounts of $4,942 and $5,105 (including related parties of $4,292 and $4,496)	48,360	44,674
Prepaid expenses and other current assets (including related parties of $274 and $274)	6,521	5,803
Total current assets	80,602	78,143
Property and equipment, net	76,953	80,446
Intangible assets subject to amortization, net (including related parties of $27,665 and $27,841)	28,490	28,757
Intangible assets not subject to amortization	246,199	246,199
Goodwill	45,845	45,845
Other assets	9,027	8,537
Total assets	$ 487,116	$ 487,927
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt (including related parties of $1,000 and $1,000)	$ 1,000	$ 1,000
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $5,138 and $4,262)	41,817	47,669
Total current liabilities	42,935	48,787
Long-term debt, less current maturities (including related parties of $0 and $1,000)	358,491	362,949
Other long-term liabilities	11,610	12,258
Deferred income taxes	42,853	38,698
Total liabilities	455,889	462,692
Commitments and contingencies (note 4)		
Stockholders equity		
Class A common stock, $0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2010 52,567,482; 2009 51,807,122	5	5
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2010 and 2009 22,587,433	2	2
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2010 and 2009 9,352,729	1	1
Additional paid-in capital	939,176	937,963

Accumulated deficit	(907,957)	(912,736)
Total stockholders equity	31,227	25,235
Total liabilities and stockholders equity	$ 487,116	$ 487,927

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2010	2009	2010	2009
Net revenue	$ 53,431	$ 48,696	$ 96,504	$ 90,411
Expenses:				
Direct operating expenses (including related parties of $3,151, $2,004, $5,502 and $3,731) (including non-cash stock-based compensation of $103, $164, $208 and $330)	22,162	20,799	42,930	42,660
Selling, general and administrative expenses (including non-cash stock-based compensation of $147, $207, $295 and $414)	8,935	8,847	17,991	18,799
Corporate expenses (including non-cash stock-based compensation of $286, $353, $492 and $759)	3,477	3,378	7,225	7,251
Depreciation and amortization (includes direct operating of $3,385, $3,843, $6,874 and $7,918; selling, general and administrative of $903, $1,068, $1,841 and $2,089; and corporate of $586, $280, $883 and $614) (including related parties of $846, $580, $1,426 and $1,160)	4,874	5,191	9,597	10,621
Impairment charge		2,720		2,720
	39,448	40,935	77,743	82,051
Operating income	13,983	7,761	18,761	8,360
Interest expense (including related parties of $25, $29, $54 and $60) (note 2)	(5,263)	(8,474)	(10,777)	(13,535)
Interest income	84	70	167	318
Loss on debt extinguishment				(4,716)
Income (loss) before income taxes	8,804	(643)	8,151	(9,573)
Income tax expense	(1,928)	(1,099)	(3,338)	(6,509)
Income (loss) before equity in net income (loss) of nonconsolidated affiliate	6,876	(1,742)	4,813	(16,082)
Equity in net income (loss) of nonconsolidated affiliate, net of tax	87	(85)	(34)	(239)
Net income (loss) applicable to common stockholders	$ 6,963	$ (1,827)	$ 4,779	$ (16,321)
Basic and diluted earnings per share:				
Net income (loss) per share applicable to common stockholders, basic and diluted	$ 0.08	$ (0.02)	$ 0.06	$ (0.19)
Weighted average common shares outstanding, basic	84,494,665	84,187,128	84,462,613	84,235,509
Weighted average common shares outstanding, diluted	85,373,021	84,187,128	85,278,162	84,235,509

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Six-Month Period Ended June 30,	
	2010	**2009**
Cash flows from operating activities:		
Net income (loss)	$ 4,779	$ (16,321)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	9,597	10,621
Impairment charge		2,720
Deferred income taxes	2,627	5,986
Amortization of debt issue costs	208	194
Amortization of syndication contracts	550	1,248
Payments on syndication contracts	(1,409)	(1,413)
Equity in net loss of nonconsolidated affiliate	34	239
Non-cash stock-based compensation	995	1,503
Gain on sale of media properties and other assets		(102)
Non-cash expenses related to debt extinguishment		945
Change in fair value of interest rate swap agreements	(8,053)	(2,536)
Changes in assets and liabilities, net of effect of acquisitions and dispositions:		
Increase in accounts receivable	(3,625)	(1,272)
Decrease in prepaid expenses and other assets	48	189
Increase in accounts payable, accrued expenses and other liabilities	3,451	2,102
Net cash provided by operating activities	9,202	4,103
Cash flows from investing activities:		
Proceeds from sale of property and equipment and intangibles		114
Purchases of property and equipment and intangibles	(6,045)	(6,618)
Net cash used in investing activities	(6,045)	(6,504)
Cash flows from financing activities:		
Proceeds from issuance of common stock	219	202
Payments on long-term debt	(4,458)	(41,000)
Repurchase of Class A common stock		(1,075)
Payments of deferred debt and offering costs	(863)	(1,182)
Net cash used in financing activities	(5,102)	(43,055)
Net decrease in cash and cash equivalents	(1,945)	(45,456)
Cash and cash equivalents:		
Beginning	27,666	64,294
Ending	$ 25,721	$ 18,838
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	$ 18,725	$ 13,258

Income taxes	$ 711	$ 523

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2010

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, 2009 included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. 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, 2010 or any other future period.

2. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

Related Party

Univision currently owns approximately 10% of the Company s common stock on a fully-converted basis based on public filings made by Univision. In connection with Univision s merger with Hispanic Broadcasting Corporation (HBC) in September 2003, Univision entered into an agreement with the U.S. Department of Justice (DOJ), pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of the Company would not exceed 15% by March 26, 2006 and would not exceed 10% by March 26, 2009.

In February 2008, the Company repurchased 1.5 million shares of Class U common stock held by Univision for $10.4 million. In May 2009, the Company 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.

Univision acts as the Company s exclusive sales representative for the sale of all national advertising aired on Univision-affiliate television stations. During the three-month periods ended June 30, 2010 and 2009, the amount paid by the Company to Univision in this capacity was $2.6 million and $1.6 million, respectively. During the six-month periods ended June 30, 2010 and 2009, the amount paid by the Company to Univision in this capacity was $4.6 million and $3.1 million, respectively.

In August 2008, the Company entered into an agreement with Univision pursuant to which it granted Univision the right to negotiate the terms of agreements providing for the carriage of the Company s Univision- and TeleFutura-affiliated television station signals by cable, satellite and internet-based television service providers. The agreement also provides terms relating to compensation to be paid to the Company with respect to agreements that are entered into for the carriage of its Univision- and TeleFutura-affiliated television station signals. As of June 30, 2010, the amount due to the Company from Univision was $4.3 million related to the agreements for the carriage of its Univision and TeleFutura-affiliated television station signals.

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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.

Stock-based compensation expense related to grants of stock options and restricted stock units was $0.5 million and $0.7 million for the three-month periods ended June 30, 2010 and 2009, respectively. Stock-based compensation expense related to grants of stock options and restricted stock units was $1.0 million and $1.5 million for the six-month periods ended June 30, 2010 and 2009, 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 3 years.

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

	Six-Month Period Ended June 30, 2010
Fair value of options granted	$ 2.10
Expected volatility	79%
Risk-free interest rate	2.8%
Expected lives	7.0 years
Dividend rate	

As of June 30, 2010, there was approximately $1.3 million of total unrecognized compensation expense related to grants of stock options that is expected to be recognized over a weighted-average period of 1.0 year.

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 June 30, 2010, there was approximately $0.8 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 year.

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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 per share and per share data):

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2010	2009	2010	2009
Basic earnings per share:				
Numerator:				
Net income (loss) applicable to common stockholders	$ 6,963	$ (1,827)	$ 4,779	$ (16,321)
Denominator:				
Weighted average common shares outstanding	84,494,665	84,187,128	84,462,613	84,235,509
Per share:				
Net income (loss) per share applicable to common stockholders	$ 0.08	$ (0.02)	$ 0.06	$ (0.19)
Diluted earnings per share:				
Numerator:				
Net income (loss) applicable to common stockholders	$ 6,963	$ (1,827)	$ 4,779	$ (16,321)
Denominator:				
Weighted average common shares outstanding	84,494,665	84,187,128	84,462,613	84,235,509
Dilutive securities:				
Stock options and restricted stock units	878,356		815,549	
Diluted shares outstanding	85,373,021	84,187,128	85,278,162	84,235,509
Per share:				
Net income (loss) per share applicable to common stockholders	$ 0.08	$ (0.02)	$ 0.06	$ (0.19)

Basic loss per share is computed as net loss divided by the weighted average number of shares outstanding for the period. Diluted 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 six-month periods ended June 30, 2010, a total of 9,887,824 and 9,800,211 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 six-month periods ended June 30, 2009, 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 124,428 and 112,114 equivalent shares of dilutive securities for the three- and six-month periods ended June 30, 2009, respectively.

Syndicated Bank Credit Facility

In September 2005, the Company entered into a $650 million senior secured syndicated bank credit facility, consisting of a 7 1/2 year $500 million term loan and a 6 1/2 year $150 million revolving facility. The term loan under the syndicated bank credit facility has been drawn in full, the proceeds of which were used (i) to refinance $250 million outstanding under the former syndicated bank credit facility, (ii) to complete a tender offer for the previously outstanding $225 million senior subordinated notes, and (iii) for general corporate purposes. The term loan matures in 2013 and the revolving facility expires in 2012. The Company s ability to make additional borrowings under the syndicated bank credit facility is subject to compliance with certain financial covenants, including financial ratios, and other conditions set forth in the syndicated bank credit facility.

On March 16, 2009, the Company entered into an amendment to the syndicated bank credit facility agreement. Pursuant to this amendment, among other things:

The interest that the Company pays under the credit facility increased. Both the revolver and term loan borrowings under the amendment bear interest at a variable interest rate based on either LIBOR or a base rate, in either case plus an applicable margin that varies depending upon the leverage ratio. Borrowings under both the revolver and term loan bear

interest at LIBOR plus a margin of 5.25% when the leverage ratio is greater than or equal to 5.0. When the leverage ratio is less than 5.0 but greater than or equal to 4.0, borrowings under both the revolver and term loan will bear interest at LIBOR plus a margin of 4.25%. When the leverage ratio is less than 4.0, borrowings under both the revolver and term loan will bear interest at LIBOR plus a margin of 3.25%. The term loan currently bears interest at LIBOR plus a margin of 5.25%, for a total interest rate of 5.79% at June 30, 2010. As of June 30, 2010, $358.5 million of the term loan was outstanding.

The total amount of the revolver facility was reduced from $150 million to $50 million. Borrowings under the revolver are restricted to $5 million in the aggregate during any rolling 30-day period when the leverage ratio is less than 1.0 of the maximum allowable ratio during the applicable period. New conditions have been added for loans under the revolver facility greater than $5 million. The revolving facility bears interest at LIBOR plus a margin ranging from 3.25% to 5.25% based on leverage covenants. As of June 30, 2010, the Company had approximately $1 million in outstanding letters of credit and $49 million was available under the revolving facility for future borrowings. In addition, the Company pays a quarterly unused commitment fee ranging from 0.25% to 0.50% per annum, depending on the level of facility used.

There are more stringent financial covenants relating to maximum allowed leverage ratio, maximum capital expenditures and fixed charge coverage ratio. Beginning March 16, 2009 through December 31, 2009, the maximum allowed leverage ratio, or the ratio of consolidated total debt to trailing-twelve-month consolidated adjusted EBITDA, was 6.75. The maximum allowed leverage ratio decreased to 6.50 in the first quarter of 2010. On September 30, 2010 the maximum allowed leverage ratio decreases to 6.25 and on December 31, 2010 the maximum allowed leverage ratio decreases to 6.0. Beginning March 31, 2011 and through the term of the agreement, the maximum allowed leverage ratio is 5.50. The actual leverage ratio was 5.9 to 1 as of June 30, 2010. Therefore, the Company was in compliance with this covenant as of this date.

There is a mandatory prepayment clause for 100% of the proceeds of certain asset dispositions, regardless of the leverage ratio. In addition, if the Company has excess cash flow, as defined in the syndicated bank credit facility, 75% of such excess cash flow must be used to reduce the outstanding loan balance on a quarterly basis.

Beginning March 31, 2009, the senior leverage ratio and net leverage ratio were eliminated.

Capital expenditures may not exceed $10 million in 2010.

The Company is restricted from making acquisitions and investments when the leverage ratio is greater than 4.0.

The Company is restricted from making future repurchases of shares of common stock, except under a limited circumstance, which the Company utilized in May 2009 and may utilize again in the future.

The Company is restricted from making any further debt repurchases in the secondary market.

The amendment also contains additional covenants, representations and provisions that are usual and customary for credit facilities of this type. All other provisions of the credit facility agreement, as amended, remain in full force and effect unless expressly amended or modified by the amendment.

At the time of entering into this amendment, the Company made a prepayment of $40 million to reduce the outstanding amount of the term loans and paid the lenders an amendment fee.

The Company recorded a loss on debt extinguishment of $4.7 million for fees, unamortized finance costs and interest rate swap agreement termination costs associated with the amendment to the syndicated bank credit facility during the year ended December 31, 2009.

The syndicated bank 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. The syndicated bank credit facility contains customary events of default. If an event of default occurs and is continuing, the Company might be required to repay all amounts then outstanding under the syndicated bank credit facility. Lenders holding more than 50% of the loans and commitments under the syndicated bank credit facility may elect to accelerate the maturity of loans upon the occurrence and during the continuation of an event of default.

The syndicated bank credit facility contains certain financial covenants relating to maximum leverage ratio, maximum capital expenditures and minimum fixed charge coverage ratio. The covenants become increasingly restrictive in the later years of the syndicated bank credit facility. The syndicated bank credit facility also requires the Company to maintain FCC licenses for broadcast properties and contains restrictions on the incurrence of additional debt, the payment of dividends, the repurchase of shares of the Company s common stock, the making of acquisitions and the sale of assets.

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The carrying amount and estimated fair value of the term loan as of June 30, 2010 was $358.5 million and $357.6 million, respectively. The estimated fair value of the term loan is based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments with similar terms.

On July 27, 2010, the Company repaid all amounts outstanding under the syndicated bank credit facility and terminated the amended syndicated bank credit facility agreement. See Note 5.

Derivative Instruments

The Company uses interest rate swap agreements to manage its exposure to the risks associated with changes in interest rates. The Company does not enter into derivative instruments for speculation or trading purposes. As of June 30, 2010, the Company had three interest rate swap agreements with a $115 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010, and a fourth interest rate swap agreement with a $243.5 million notional amount, with quarterly increases, that also expires on October 1, 2010. The three interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 9.71%, which includes a margin of 5.25%. The fourth interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 10.31%, which includes a margin of 5.25%. As of June 30, 2010 and 2009, these interest rate swap agreements were not designated for hedge accounting treatment, and as a result, changes in their fair values are reflected in earnings. All of the interest rate swap agreements were terminated on July 27, 2010.

For the three-month period ended June 30, 2010, the Company recognized a decrease of $4.1 million in interest expense related to the increase in fair value of the interest rate swap agreements. For the three-month period ended June 30, 2009, the Company recognized a decrease of $0.9 million in interest expense related to the increase in fair value of the interest rate swap agreements.

For the six-month period ended June 30, 2010, the Company recognized a decrease of $8.0 million in interest expense related to the increase in fair value of the interest rate swap agreements. For the six-month period ended June 30, 2009, the Company recognized a decrease of $2.5 million in interest expense related to the increase in fair value of the interest rate swap agreements.

The fair value of the interest rate swap agreements at each balance sheet date was as follows (in millions):

Derivatives Not Designated As Hedging Instruments	Balance Sheet Location	June 30, 2010 Fair Value	December 31, 2009 Fair Value
Interest rate swap agreements	Accounts payable and accrued expenses	$ 8.2	$ 16.2

The following table presents the effect of the interest rate swap agreements on our consolidated statements of operations for the three- and six-month periods ended June 30, 2010 and 2009 (in millions):

		Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
Derivatives Not Designated As Hedging Instruments	Location of Income	2010	2009	2010	2009
Interest rate swap agreements	Interest expense	$ 4.1	$ 0.9	$ 8.0	$ 2.5

Fair Value Measurements

ASC 820, Fair Value Measurements and Disclosures , defines and establishes a framework for measuring fair value and expands disclosures about fair value measurements. In accordance with ASC 820, the Company has categorized its financial assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below.

Level 1 Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the company has the ability to access at the measurement date.

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Level 2 Financial assets and liabilities whose values are based on quoted prices for similar attributes in active markets; quoted prices in markets where trading occurs infrequently; and inputs other than quoted prices that are observable, either directly or indirectly, for substantially the full term of the asset or liability.

Level 3 Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement.

If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement of the instrument.

The following table presents the financial liabilities measured at fair value on a recurring basis, based on the fair value hierarchy as of June 30, 2010 and December 31, 2009 (in millions):

Liabilities	June 30, 2010 Level 2	December 31, 2009 Level 2
Interest rate swap agreements	$ 8.2	$ 16.2

Interest Rate Swap Agreements

The fair values of the interest rate swap agreements represent the present value of expected future cash flows estimated to be received from or paid to a marketplace participant in settlement of these instruments. They are valued using inputs including broker/dealer quotes, adjusted for non-performance risk, based on valuation models that incorporate observable market information and are classified within Level 2 of the fair value hierarchy.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements (ASU 2009-13). ASU 2009-13 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration shall be measured and allocated to the separate units of accounting in the arrangement. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. 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 Washington, D.C.

Radio Broadcasting

The Company owns and operates 48 radio stations (37 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 six-month periods ended June 30, 2010 and 2009. The Company evaluates the performance of its operating segments based on the following (in thousands):

	Three-Month Period Ended June 30,		% Change	Six-Month Period Ended June 30,		% Change
	2010	2009	2010 to 2009	2010	2009	2010 to 2009
Net Revenue						
Television	$ 34,819	$ 31,746	10%	$ 64,464	$ 60,018	7%
Radio	18,612	16,950	10%	32,040	30,393	5%
Consolidated	53,431	48,696	10%	96,504	90,411	7%
Direct operating expenses						
Television	13,825	13,130	5%	26,854	27,180	(1)%
Radio	8,337	7,669	9%	16,076	15,480	4%
Consolidated	22,162	20,799	7%	42,930	42,660	1%
Selling, general and administrative expenses						
Television	5,079	4,977	2%	10,007	10,282	(3)%
Radio	3,856	3,870	(0)%	7,984	8,517	(6)%
Consolidated	8,935	8,847	1%	17,991	18,799	(4)%
Depreciation and amortization						
Television	3,940	3,904	1%	7,669	7,867	(3)%
Radio	934	1,287	(27)%	1,928	2,754	(30)%
Consolidated	4,874	5,191	(6)%	9,597	10,621	(10)%
Segment operating profit						
Television	11,975	9,735	23%	19,934	14,689	36%
Radio	5,485	4,124	33%	6,052	3,642	66%
Consolidated	17,460	13,859	26%	25,986	18,331	42%
Corporate expenses	3,477	3,378	3%	7,225	7,251	(0)%
Impairment charge		2,720	*		2,720	*
Operating income	13,983	7,761	80%	18,761	8,360	124%
Interest expense	(5,263)	(8,474)	*	(10,777)	(13,535)	(20)%
Interest income	84	70	20%	167	318	(47)%
Loss on debt extinguishment			*		(4,716)	*
Income (loss) before income taxes	$ 8,804	$ (643)	*	$ 8,151	$ (9,573)	*
Capital expenditures						
Television	$ 1,671	$ 1,000		$ 4,030	$ 2,516	
Radio	215	162		557	376	
Consolidated	$ 1,886	$ 1,162		$ 4,587	$ 2,892	

	June 30, 2010	December 31, 2009
Total assets		
Television	$ 346,282	$ 348,191
Radio	140,834	139,736
Consolidated	$ 487,116	$ 487,927

* Percentage not meaningful.

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.

5. SUBSEQUENT EVENT

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 Notes are guaranteed on a senior secured basis by all of the Company s existing and future wholly-owned domestic subsidiaries. Net proceeds from the Notes were used to pay all indebtedness outstanding under the Company s syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to the Notes offering and for general corporate purposes.

The Company may redeem any or all of the Notes at any time on or after August 1, 2013 at a redemption price equal to 106.563% of the Notes principal. The redemption price declines ratably thereafter to par, plus accrued and unpaid interest. Prior to August 1, 2013, the Company may redeem up to 35% of the Notes with the net proceeds of a qualified equity offering at a redemption price equal to 108.75% of the Notes principal, plus accrued and unpaid interest. In addition, upon certain conditions of a change of control, the Company may be required to redeem the Notes in cash equal to 101% of the Notes principal, plus accrued and unpaid interest.

On July 27, 2010, the Company also entered into a new $50 million revolving credit facility (the Revolving Credit Facility) and terminated the syndicated bank credit facility agreement. The Revolving Credit Facility expires on July 27, 2013 and is guaranteed on a senior secured basis by all of the Company s existing and future wholly-owned domestic subsidiaries, which are also the guarantors of the Notes. The Company has not drawn on the Revolving Credit Facility.

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 June 30, 2010, was $53.4 million. Of that amount, revenue generated by our television segment accounted for 65% and revenue generated by our radio segment accounted for 35%.

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 48 radio stations (37 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas.

We generate revenue primarily from sales of national and local advertising time on television and radio stations. 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. We also generate revenue from retransmission consent agreements that are entered into with cable, satellite and internet-based television service providers.

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.

The comparability of our results between 2010 and 2009 may also be affected by an acquisition in 2009. In 2009, we acquired the assets of television station KREN-TV in Reno, Nevada, a market where we already owned existing media properties. While new media properties contribute to the financial results of their markets, we do not attempt to measure their effect as they typically are integrated into existing operations.

Highlights

During the second quarter of 2010, we continued to see signs of a stabilizing advertising environment in many of our television and radio markets. Net revenue increased to $53.4 million, an increase of $4.7 million, or 10%, over the second quarter of 2009. Our performance was driven primarily by World Cup advertising and retransmission consent revenue. We anticipate that retransmission consent revenue will continue to be a growing source of net revenues. Our audience shares remained strong in the nation s most densely populated Hispanic markets.

Net revenue for our television segment increased to $34.8 million in the second quarter of 2010, from $31.7 million in the second quarter of 2009. This increase of $3.1 million, or 10%, in net revenue was primarily due to an increase in revenue from the World Cup, census and retransmission consent revenue. We generated a total of $3.3 million of retransmission consent revenue in the second quarter of 2010 and we anticipate that retransmission consent revenue in 2010 will be greater than it was in 2009.

Net revenue for our radio segment increased to $18.6 million in the second quarter of 2010, from $17.0 million in the second quarter of 2009. This increase of $1.6 million, or 10%, in net revenue was primarily due to an increase in revenue from the World Cup.

In July 2010, we completed the offering and sale of an aggregate $400 million principal amount of our 8.750% Senior Secured First Lien Notes due 2017 (the Notes) and entered into a new $50.0 million revolving credit facility (the Revolving Credit Facility). At the same time as entering into the credit facility, we repaid all amounts owing under, and terminated, our then-existing syndicated bank credit facility. The bond offering and new revolving credit facility extend the maturity of our debt and provide us with additional financial flexibility as we continue to seek to enhance shareholder value.

Relationship with Univision

Substantially all of our television stations are Univision- or TeleFutura-affiliated television stations. Our network affiliation agreements 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 expire 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, Univision acts as our exclusive sales representative for the sale of national and regional advertising sales on our Univision- and TeleFutura-affiliate television stations, and Entravision pays certain sales representation fees to Univision relating to national and regional advertising sales. During the three-month periods ended June 30, 2010 and 2009, the amount we paid Univision in this capacity was $2.6 million and $1.6 million, respectively. During the six-month periods ended June 30, 2010 and 2009, the amount we paid Univision in this capacity was $4.6 million and $3.1 million, respectively

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. 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 cable and other television service providers.

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.

Recent Accounting Pronouncements

In October 2009, the FASB issued ASU No. 2009-13, Multiple-Deliverable Revenue Arrangements (ASU 2009-13). ASU 2009-13 addresses how to determine whether an arrangement involving multiple deliverables contains more than one unit of accounting and how arrangement consideration shall be measured and allocated to the separate units of accounting in the arrangement. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. We are currently evaluating the impact of this standard on our consolidated financial statements.

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Three- and Six-Month Periods Ended June 30, 2010 and 2009

The following table sets forth selected data from our operating results for the three- and six-month periods ended June 30, 2010 and 2009 (in thousands):

	Three-Month Period Ended June 30,		%	Six-Month Period Ended June 30,		%
	2010	2009	Change	2010	2009	Change
Statements of Operations Data:						
Net revenue	$ 53,431	$ 48,696	10%	$ 96,504	$ 90,411	7%
Direct operating expenses	22,162	20,799	7%	42,930	42,660	1%
Selling, general and administrative expenses	8,935	8,847	1%	17,991	18,799	(4)%
Corporate expenses	3,477	3,378	3%	7,225	7,251	(0)%
Depreciation and amortization	4,874	5,191	(6)%	9,597	10,621	(10)%
Impairment charge		2,720	*		2,720	*
	39,448	40,935	(4)%	77,743	82,051	(5)%
Operating income	13,983	7,761	80%	18,761	8,360	124%
Interest expense	(5,263)	(8,474)	(38)%	(10,777)	(13,535)	(20)%
Interest income	84	70	20%	167	318	(47)%
Loss on debt extinguishment			*		(4,716)	*
Income (loss) before income taxes	8,804	(643)	*	8,151	(9,573)	*
Income tax expense	(1,928)	(1,099)	75%	(3,338)	(6,509)	(49)%
Income (loss) before equity in net income (loss) of nonconsolidated affiliate	6,876	(1,742)	*	4,813	(16,082)	*
Equity in net income (loss) of nonconsolidated affiliate, net of tax	87	(85)	*	(34)	(239)	(86)%
Net income (loss) applicable to common stockholders	$ 6,963	$ (1,827)	*	$ 4,779	$ (16,321)	*
Other Data:						
Capital expenditures	1,886	1,162		4,587	2,892	
Consolidated adjusted EBITDA (adjusted for non-cash stock-based compensation) (1)				28,494	23,039	
Net cash provided by operating activities				9,202	4,103	
Net cash used in investing activities				(6,045)	(6,504)	
Net cash used in financing activities				(5,102)	(43,055)	

* Percentage not meaningful.

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

payments.

(2) Since our ability to borrow from our syndicated bank 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 syndicated bank credit facility contains certain financial covenants relating to the maximum allowed leverage ratio, maximum capital expenditures and minimum fixed charge coverage ratio. The maximum allowed leverage ratio, or the ratio of consolidated total debt to trailing-twelve-month consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. The maximum allowed leverage ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense. Under our syndicated bank credit facility, our maximum allowed leverage ratio may not exceed 6.50 to 1. The actual leverage ratio was as follows (in each case as of June 30): 2010, 5.9 to 1; 2009, 6.3 to 1. Therefore, we were in compliance with this covenant at each of those dates. We entered into an amendment to our credit facility agreement in March 2009, so we were not subject to the same calculations and covenants in prior years. However, for consistency of presentation, the foregoing historical ratios assume that our current definition had been applicable for all periods presented.

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, loss on debt extinguishment, income tax expense (benefit), equity in net income (loss) of nonconsolidated affiliate 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):

	Six-Month Period Ended June 30,	
	2010	2009
Consolidated adjusted EBITDA (1)	$ 28,494	$ 23,039
Interest expense	(10,777)	(13,535)
Interest income	167	318
Loss on debt extinguishment		(4,716)
Income tax expense	(3,338)	(6,509)
Amortization of syndication contracts	(550)	(1,248)
Payments on syndication contracts	1,409	1,413
Non-cash stock-based compensation included in direct operating expenses	(208)	(330)
Non-cash stock-based compensation included in selling, general and administrative expenses	(295)	(414)
Non-cash stock-based compensation included in corporate expenses	(492)	(759)
Depreciation and amortization	(9,597	