ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
August 05, 2013
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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, 2013

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 x 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	x
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 x

As of July 31, 2013, there were 56,827,664 shares, $0.0001 par value per share, of the registrant s Class A common stock outstanding, 21,688,161 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 SIX-MONTH PERIODS ENDED JUNE 30, 2013

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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 agreement dated as of May 31, 2013, or the 2013 Credit Agreement, which governs our current credit facility, or the 2013 Credit Facility, the terms of 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 2013 Credit Agreement;
- cancellations or reductions of advertising due to the then 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 2013 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;

economic uncertainty;

the impact of any potential 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 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, 2012.

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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, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 41,066	$ 36,130
Trade receivables, net of allowance for doubtful accounts of $3,432 and $4,396 (including related parties of $8,771 and $4,916)	52,417	48,030
Prepaid expenses and other current assets (including related parties of $274 and $274)	4,473	4,245
Total current assets	97,956	88,405
Property and equipment, net	59,170	61,435
Intangible assets subject to amortization, net (including related parties of $19,719 and $20,880)	21,080	22,349
Intangible assets not subject to amortization	220,701	220,701
Goodwill	36,647	36,647
Other assets	13,002	8,514
Total assets	$ 448,556	$ 438,051
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 200	$ 150
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $3,907 and $3,576)	37,824	39,158
Total current liabilities	38,142	39,426
Long-term debt, less current maturities (net of bond discount of $2,711 and $2,982)	340,835	340,664
Other long-term liabilities	6,934	7,359
Deferred income taxes	48,495	45,201
Total liabilities	434,406	432,650
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 2013 56,791,409; 2012 54,404,226	6	5
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2013 21,688,121; 2012 22,188,161	2	2
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2013 and 2012 9,352,729	1	1
Additional paid-in capital	935,446	930,814

Accumulated deficit	(921,305)	(925,421)
Total stockholders equity (deficit)	14,150	5,401
Total liabilities and stockholders equity (deficit)	$ 448,556	$ 438,051

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, 2013	Three-Month Period Ended June 30, 2012	Six-Month Period Ended June 30, 2013	Six-Month Period Ended June 30, 2012
Net revenue	$ 56,950	$ 54,491	$ 106,037	$ 101,015
Expenses:				
Direct operating expenses (including related parties of $2,649, $2,461, $4,942 and $4,705) (including non-cash stock-based compensation of $295, $43, $479 and $56)	25,988	22,876	50,213	44,510
Selling, general and administrative expenses (including non-cash stock-based compensation of $0, $215, $0 and $324)	7,424	9,635	15,107	19,007
Corporate expenses (including non-cash stock-based compensation of $1,074, $479, $1,762 and $618)	4,736	4,181	9,233	8,062
Depreciation and amortization (includes direct operating of $2,899, $3,076, $5,931 and $6,217 selling, general and administrative of $714, $720, $1,427 and $1,437 and corporate of $207, $280, $417 and $769 (including related parties of $580, $580, $1,161 and $1,473)	3,820	4,076	7,775	8,423
	41,968	40,768	82,328	80,002
Operating income (loss)	14,982	13,723	23,709	21,013
Interest expense	(7,881)	(8,959)	(15,665)	(18,059)
Interest income	9	9	16	13
Gain (loss) on debt extinguishment	(130)	(1,230)	(130)	(1,230)
Income (loss) before income taxes	6,980	3,543	7,930	1,737
Income tax (expense) benefit	(1,907)	(1,477)	(3,814)	(3,066)
Net income (loss) applicable to common stockholders	$ 5,073	$ 2,066	$ 4,116	$ (1,329)
Basic and diluted earnings per share:				
Net income (loss) per share applicable to common stockholders, basic and diluted	$ 0.06	$ 0.02	$ 0.05	$ (0.02)
Weighted average common shares outstanding, basic	87,074,952	85,837,846	86,768,686	85,821,963
Weighted average common shares outstanding, diluted	89,228,790	86,178,331	88,147,914	85,821,963

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, 2013	Six-Month Period Ended June 30, 2012
Cash flows from operating activities:		
Net income (loss)	$ 4,116	$ (1,329)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,775	8,423
Deferred income taxes	3,294	2,405
Amortization of debt issue costs	1,030	1,137
Amortization of syndication contracts	302	381
Payments on syndication contracts	(651)	(934)
Non-cash stock-based compensation	2,241	998
(Gain) loss on debt extinguishment	130	1,230
Changes in assets and liabilities, net of effect of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	(4,327)	(3,771)
(Increase) decrease in prepaid expenses and other assets	(454)	(177)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(637)	(1,998)
Net cash provided by (used in) operating activities	12,819	6,365
Cash flows from investing activities:		
Purchases of property and equipment and intangibles	(4,605)	(3,647)
Net cash provided by (used in) investing activities	(4,605)	(3,647)
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,392	
Payments on long-term debt	(50)	(20,600)
Payments of capitalized debt offering and issuance costs	(5,620)	(80)
Net cash provided by (used in) financing activities	(3,278)	(20,680)
Net increase (decrease) in cash and cash equivalents	4,936	(17,962)
Cash and cash equivalents:		
Beginning	36,130	58,719
Ending	$ 41,066	$ 40,757
Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	$ 14,612	$ 17,651
Income taxes	$ 520	$ 661

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2013

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, 2012 included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. 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, 2013 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 UniMás-affiliated television stations. The Company s network affiliation agreements, as amended, with Univision provide certain of its owned stations the exclusive right to broadcast Univision s primary network and UniMás 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, the Company generally retains 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 UniMás network. Those allocations are subject to adjustment from time to time by Univision.

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 UniMás-affiliate television stations, and the Company pays certain sales representation fees to Univision relating to sales of all advertising for broadcast on the Company s Univision- and UniMás-affiliate television stations. During the three-month periods ended June 30, 2013 and 2012, the amount the Company paid Univision in this capacity was \$2.6 million and \$2.5 million, respectively. During the six-month periods ended June 30, 2013 and 2012, the amount the Company paid Univision in this capacity was \$4.9 million and \$4.7 million, respectively.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted Univision the right to negotiate the terms of retransmission consent agreements for its Univision- and UniMás-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 June 30, 2013, the amount due to the Company from Univision was \$8.8 million related to the agreements for the carriage of its Univision and UniMás-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 $1.4 million and $0.7 million for the three-month periods ended June 30, 2013 and 2012, respectively. Stock-based compensation expense related to grants of stock options and restricted stock units was $2.2 million and $1.0 million for the six-month periods ended June 30, 2013 and 2012, 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:

	Six-Month Period Ended June 30, 2013
Fair value of options granted	$ 1.69
Expected volatility	91%
Risk-free interest rate	1.3%
Expected lives	7.0 years
Dividend rate	

As of June 30, 2013, there was approximately $4.6 million of total unrecognized compensation expense related to grants of stock options that is expected to be recognized over a weighted-average period of 1.7 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 June 30, 2013, there was approximately $0.3 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 year.

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Income (Loss) Per Share

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

	Three-Month Period Ended June 30, 2013	Three-Month Period Ended June 30, 2012	Six-Month Period Ended June 30, 2013	Six-Month Period Ended June 30, 2012
Basic earnings per share:				
Numerator:				
Net income (loss) applicable to common stockholders	$ 5,073	$ 2,066	$ 4,116	$ (1,329)
Denominator:				
Weighted average common shares outstanding	87,074,952	85,837,846	86,768,686	85,821,963
Per share:				
Net income (loss) per share applicable to common stockholders	$ 0.06	$ 0.02	$ 0.05	$ (0.02)
Diluted earnings per share:				
Numerator:				
Net income (loss) applicable to common stockholders	$ 5,073	$ 2,066	$ 4,116	$ (1,329)
Denominator:				
Weighted average common shares outstanding	87,074,952	85,837,846	86,768,686	85,821,963
Dilutive securities:				
Stock options and restricted stock units	2,153,838	340,485	1,379,228	
Diluted shares outstanding	89,228,790	86,178,331	88,147,914	85,821,963
Per share:				
Net income (loss) per share applicable to common stockholders	$ 0.06	$ 0.02	$ 0.05	$ (0.02)

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 and restricted stock awards.

For the three- and six-month periods ended June 30, 2013, a total of 7,081,212 and 8,650,056 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-month period ended June 30, 2012, a total of 9,636,422 shares of dilutive securities 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 six-month period ended June 30, 2012, 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 315,580 equivalent shares of dilutive securities for six-month period ended June 30, 2012.

Notes

The following discussion pertains to the Company s 8.75% senior secured first lien notes due 2017, or the Notes, and the indenture governing the Notes, or the Indenture, as the same existed on June 30, 2013. On August 2, 2013, the Company redeemed the Notes and the Indenture was discharged.

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 accrued at a rate of 8.75% per annum from the date of original issuance and was 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.

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.

During the second quarter of 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.

During the fourth quarter of 2012, the Company repurchased Notes with a principal amount of $40.0 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 $2.5 million related to the premium paid and the write off of unamortized finance costs and unamortized bond discount.

The Notes were 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 ranked 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 were effectively junior: (i) to the Company s and the Note Guarantors indebtedness secured by assets that are not collateral; (ii) pursuant to a Collateral Trust and Intercreditor Agreement dated July 27, 2010 we entered into with Wells Fargo Bank, National Association, as the Trustee under the Indenture, and GE Capital, as the Collateral Trustee and as the administrative agent under the 2013 Credit Facility (the Intercreditor Agreement) at the same time that the Company entered into a previous credit facility that the Company entered into in July 2010; and (iii) to all of the liabilities of any of the Company s existing and future subsidiaries that did not guarantee the Notes, to the extent of the assets of those subsidiaries. The Notes were 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.

The Company had the right to 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, the Company would have been required to 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, the Company had the right 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 would have 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 contained additional provisions that are customary for an agreement of this type, including indemnification by the Company and the Note Guarantors. In addition, the Indenture contained various provisions that limited the Company s ability to: (i) apply the proceeds from certain asset sales other than in accordance with the terms of the Indenture; and (ii) restrict dividends or other payments from subsidiaries.

The carrying amount and estimated fair value of the Notes as of June 30, 2013 was $321.1 million and $346.1 million, respectively. The estimated fair value is based on quoted market prices for the Notes.

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The Company recognized interest expense related to amortization of the bond discount of $0.1 million for each of the three-month periods ended June 30, 2013 and 2012. The Company recognized interest expense related to amortization of the bond discount of $0.3 million for each of the six-month periods ended June 30, 2013 and 2012.

See Note 6 Subsequent Event , for a discussion of the redemption of the Notes on August 2, 2013.

2012 Credit Facility

The following discussion pertains to a term loan and revolving credit facility of up to $50 million that the Company entered into on December 20, 2012 (the 2012 Credit Facility). The 2012 Credit Facility was terminated on May 31, 2013 and replaced with the Company s 2013 Credit Facility. Accordingly, the following discussion summarizes only certain provisions of the 2012 Credit Facility and the 2012 Credit Agreement. This discussion is qualified in its entirety by reference to the full text of the 2012 Credit Agreement.

On December 20, 2012, the Company entered into the 2012 Credit Facility pursuant to an amended and restated agreement dated as of December 20, 2012 (the 2012 Credit Agreement). The 2012 Credit Facility consisted of a four-year $20 million term loan facility and a four-year $30 million revolving credit facility that expired on December 20, 2016, which included a $3 million sub-facility for letters of credit.

Borrowings under the 2012 Credit Facility bore interest at either: (i) the Base Rate (as defined in the 2012 Credit Agreement) plus the Applicable Margin (as defined in the 2012 Credit Agreement); or (ii) LIBOR plus the Applicable Margin (as defined in the 2012 Credit Agreement).

The 2012 Credit Facility was guaranteed on a senior secured basis by all of the Company s existing and future wholly-owned domestic subsidiaries (the Credit Guarantors), which were also the Note Guarantors (collectively, the Guarantors). The 2012 Credit Facility was secured on a first priority basis by the Company s and the Credit Guarantors assets, which also secured the Notes. The Company s borrowings, if any, under the 2012 Credit Facility ranked senior to the Notes upon the terms set forth in an Intercreditor Agreement that the Company entered into in connection with the credit facility that was in effect at that time.

The 2012 Credit Agreement also contained 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 2012 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 2012 Credit Facility for the benefit of the holders of the Notes and the lender under the 2012 Credit Facility; and

- An Intercreditor Agreement, in order to define the relative rights of the holders of the Notes and the lender under the 2012 Credit Facility with respect to the collateral securing the Company s and the Guarantors respective obligations under the Notes and the 2012 Credit Facility; and

- 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, either the 2012 Credit Agreement, the Indenture, or both contained various provisions that limited the Company s ability, among other things, to engage in certain transactions, make acquisitions and dispose of certain assets, as more fully provided therein.

2013 Credit Facility

On May 31, 2013, the Company entered into a new term loan and revolving credit facility of up to $405.0 million (the 2013 Credit Facility) pursuant to the 2013 Credit Agreement. The 2013 Credit Facility consists of a $20,000,000 senior secured Term Loan A Facility (the Term Loan A Facility), a $375,000,000 senior secured Term Loan B Facility (the Term Loan B Facility ; and together with the Term Loan A Facility, the Term Loan Facilities) which, subject to the compliance by the Company of certain conditions contained in the 2013 Credit Agreement, may be drawn on a date of the Company s choosing between August 1, 2013 and August 15, 2013 (such date, the Term Loan B Borrowing Date), and a $30,000,000 senior secured Revolving Credit Facility (the Revolving Credit Facility). In addition, the 2013 Credit Facility provides that the Company may increase the aggregate principal amount of the 2013 Credit Facility by up to an additional $100.0 million, subject to the Company satisfying certain conditions.

Borrowings under the Term Loan A Facility will be used on the closing date of the 2013 Credit Facility (the Closing Date) (together with cash on hand of the Company) to (a) repay in full all of the outstanding obligations of the Company and its subsidiaries under the 2012 Credit Agreement and to terminate the 2012 Credit Agreement, and (b) pay fees and expenses in connection the 2013 Credit Facility. Subject to certain conditions contained in the 2013 Credit Agreement, the Company intends to use the borrowings under the Term Loan B Facility on the Term Loan B Borrowing Date to (a) repay in full all of the outstanding loans under the Term Loan A Facility and (b) redeem in full all of the Notes. The Company intends to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes of the Company and from time to time fund a portion of certain acquisitions, in each case subject to the terms and conditions set forth in the 2013 Credit Agreement.

The 2013 Credit Facility is guaranteed on a senior secured basis by all of the Company s existing and future wholly-owned domestic subsidiaries (the Credit Parties), which are also the Note Guarantors. The 2013 Credit Facility is secured on a first priority basis by the Company s and the Credit Parties assets, which also secure the Notes. The Company s borrowings under the 2013 Credit Facility will effectively rank senior to the Notes upon the terms set forth in the Intercreditor Agreement. Upon the redemption of the outstanding Notes in connection with the incurrence of the Term Loan B Facility on the Term Loan B Borrowing Date, the security interests and guaranties of the Company and its Credit Parties under the Indenture and the Notes will be terminated and released.

The Company s borrowings under the 2013 Credit Facility will bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to either: (i) the Base Rate (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement); or (ii) LIBOR (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement). The Term Loan A Facility expires on the earlier to occur of the Term Loan B Borrowing Date and August 15, 2013, the Term Loan B Facility expires on May 31, 2020 (the Term Loan B Maturity Date) and the Revolving Credit Facility expires on May 31, 2018 (the Revolving Loan Maturity Date).

As defined in the 2013 Credit Facility, Applicable Margin means:

(a) with respect to the Term Loans (i) if a Base Rate Loan, one and one half percent (1.50%) per annum and (ii) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(b) with respect to the Revolving Loans:

(i) for the period commencing on the Closing Date through the last day of the calendar month during which financial statements for the fiscal quarter ending June 30, 2013 are delivered: (A) if a Base Rate Loan, one and one half percent (1.50%) per annum and (B) if a LIBOR Rate Loan, two and one half percent (2.50%) per annum; and

(ii) thereafter, the Applicable Margin for the Revolving Loans shall equal the applicable LIBOR margin or Base Rate margin in effect from time to time determined as set forth below based upon the applicable First Lien Net Leverage Ratio then in effect pursuant to the appropriate column under the table below:

First Lien Net Leverage Ratio	LIBOR Margin	Base Rate Margin
³ 4.50 to 1.00	2.50%	1.50%
< 4.50 to 1.00	2.25%	1.25%

In the event the Company engages in a transaction that has the effect of reducing the yield of any loans outstanding under the Term Loan B Facility within six months of the Term Loan B Borrowing Date, the Company will owe 1% of the amount of the loans so repriced or replaced to the Lenders thereof (such fee, the Repricing Fee). Other than the Repricing Fee, the amounts outstanding under the 2013 Credit Facility may be prepaid at the option of the Company without premium or penalty, provided that certain limitations are observed, and subject to customary breakage fees in connection with the prepayment of a LIBOR rate loan. The principal amount of the (i) Term Loan A Facility shall be paid in full on the earlier of the Term Loan B Borrowing Date and August 15, 2013, (ii) Term Loan B Facility shall be paid in installments on the dates and in the respective amounts set forth in the 2013 Credit Agreement, with the final balance due on the Term Loan B Maturity Date and (iii) Revolving Credit Facility shall be due on the Revolving Loan Maturity Date.

Subject to certain exceptions, the 2013 Credit Agreement contains covenants that limit the ability of the Company and the Credit Parties to, among other things:

- incur additional indebtedness or change or amend the terms of any senior indebtedness, subject to certain conditions;
- incur liens on the property or assets of the Company and the Credit Parties;
- dispose of certain assets;
- consummate any merger, consolidation or sale of substantially all assets;
- make certain investments;
- enter into transactions with affiliates;
- use loan proceeds to purchase or carry margin stock or for any other prohibited purpose;
- incur certain contingent obligations;
- make certain restricted payments; and
- enter new lines of business, change accounting methods or amend the organizational documents of the Company or any Credit Party in any materially adverse way to the agent or the lenders.

The 2013 Credit Agreement also requires compliance with a financial covenant related to total net leverage ratio (calculated as set forth in the 2013 Credit Agreement) in the event that the revolving credit facility is drawn.

The 2013 Credit Agreement also provides for certain customary events of default, including the following:

default for three (3) business days in the payment of interest on borrowings under the 2013 Credit Facility when due;

default in payment when due of the principal amount of borrowings under the 2013 Credit Facility;

failure by the Company or any Credit Party to comply with the negative covenants, financial covenants (provided, that, an event of default under the Term Loan Facilities will not have occurred due to a violation of the financial covenants until the revolving lenders have terminated their commitments and declared all obligations to be due and payable), and certain other covenants relating to maintenance of customary property insurance coverage, maintenance of books and accounting records and permitted uses of proceeds from borrowings under the 2013 Credit Facility, each as set forth in the 2013 Credit Agreement;

failure by the Company or any Credit Party to comply with any of the other agreements in the 2013 Credit Agreement and related loan documents that continues for thirty (30) days (or ten (10) days in the case of certain financial statement delivery obligations) after officers of the Company first become aware of such failure or first receive written notice of such failure from any lender;

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default in the payment of other indebtedness if the amount of such indebtedness aggregates to $15.0 million or more, or failure to comply with the terms of any agreements related to such indebtedness if the holder or holders of such indebtedness can cause such indebtedness to be declared due and payable;

failure of the Company or any Credit Party to pay, vacate or stay final judgments aggregating over $15.0 million for a period of thirty (30) days after the entry thereof;

certain events of bankruptcy or insolvency with respect to the Company or any Credit Party;

certain change of control events;

the revocation or invalidation of any agreement or instrument governing the Notes or any subordinated indebtedness, including the Intercreditor Agreement; and

any termination, suspension, revocation, forfeiture, expiration (without timely application for renewal) or material adverse amendment of any material media license.

In connection with the Company entering into the 2013 Credit Agreement, the Company and the Credit Parties also entered into an Amended and Restated Security Agreement, pursuant to which the Company and the Credit Parties each granted a first priority security interest in the collateral securing the 2013 Credit Facility for the benefit of the lenders under the 2013 Credit Facility.

The carrying amount and estimated fair value of the term loan as of June 30, 2013 were both $20.0 million. The estimated fair value is calculated using an income approach which projects expected future cash flows and discounts them using a rate based on industry and market yields.

Recent Accounting Pronouncements

There have been no developments to recently issued accounting standards applicable to the Company, including the expected dates of adoption and estimated effects on the Company s consolidated financial statements, from those disclosed in the Company s 2012 Annual Report on Form 10-K.

3. SEGMENT INFORMATION

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

Television Broadcasting

The Company owns and/or operates 56 primary television stations located primarily in California, Colorado, Connecticut, Florida, Massachusetts, Nevada, New Mexico, Texas and the Washington, D.C. area.

Radio Broadcasting

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. There were no significant sources of revenue generated outside the United States during the three- and six-month periods ended June 30, 2013 and 2012. The Company evaluates the performance of its operating segments based on the following (in thousands):

	Three-Month Period Ended June 30, 2013	Three-Month Period Ended June 30, 2012	% Change 2013 to 2012	Six-Month Period Ended June 30, 2013	Six-Month Period Ended June 30, 2012	% Change 2013 to 2012
Net Revenue						
Television	$ 39,590	$ 37,399	6%	$ 74,542	$ 70,563	6%
Radio	17,360	17,092	2%	31,495	30,452	3%
Consolidated	56,950	54,491	5%	106,037	101,015	5%
Direct operating expenses						
Television	15,991	13,997	14%	30,979	27,218	14%
Radio	9,997	8,879	13%	19,234	17,292	11%
Consolidated	25,988	22,876	14%	50,213	44,510	13%
Selling, general and administrative expenses						
Television	3,582	5,209	(31)%	7,508	10,523	(29)%
Radio	3,842	4,426	(13)%	7,599	8,484	(10)%
Consolidated	7,424	9,635	(23)%	15,107	19,007	(21)%
Depreciation and amortization						
Television	3,114	3,303	(6)%	6,331	6,861	(8)%
Radio	706	773	(9)%	1,444	1,562	(8)%
Consolidated	3,820	4,076	(6)%	7,775	8,423	(8)%
Segment operating profit						
Television	16,903	14,890	14%	29,724	25,961	14%
Radio	2,815	3,014	(7)%	3,218	3,114	3%
Consolidated	19,718	17,904	10%	32,942	29,075	13%
Corporate expenses	4,736	4,181	13%	9,233	8,062	15%
Operating income (loss)	14,982	13,723	9%	23,709	21,013	13%
Interest expense	(7,881)	(8,959)	(12)%	(15,665)	(18,059)	(13)%
Interest income	9	9	0%	16	13	23%
Gain (loss) on debt extinguishment	(130)	(1,230)	(89)%	(130)	(1,230)	(89)%
Income (loss) before income taxes	$ 6,980	$ 3,543	97%	$ 7,930	$ 1,737	357%
Capital expenditures						
Television	1,769	$ 1,763		3,555	$ 2,682	
Radio	544	536		686	906	
Consolidated	$ 2,313	$ 2,299		$ 4,241	$ 3,588	

	June 30, 2013	December 31, 2012
Total assets		
Television	$ 326,486	$ 313,904
Radio	122,070	124,147
Consolidated	$ 448,556	$ 438,051

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. 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 June 30, 2013 and December 31, 2012 and the related consolidating statements of operations are presented for the three- and six-month periods ended June 30, 2013 and 2012. Consolidating statements of cash flows are presented for the six-month periods ended June 30, 2013 and 2012. The equity method of accounting has been used by the Company to report its investment in subsidiaries.

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Consolidating Balance Sheet

June 30, 2013

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets					
Cash and cash equivalents	$ 40,748	$	$ 318	$	$ 41,066
Trade receivables, net of allowance for doubtful accounts	52,137		280		52,417
Prepaid expenses and other current assets	3,854		619		4,473
Total current assets	96,739		1,217		97,956
Property and equipment, net	56,478		2,692		59,170
Intangible assets subject to amortization, net	21,080				21,080
Intangible assets not subject to amortization	38,739	178,262	3,700		220,701
Goodwill	35,653		994		36,647
Investment in subsidiaries	160,895			(160,895)	
Other assets	13,002		10,496	(10,496)	13,002
Total assets	$ 422,586	$ 178,262	$ 19,099	$ (171,391)	$ 448,556
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities					
Current maturities of long-term debt	$ 200	$	$	$	$ 200
Advances payable, related parties	118				118
Accounts payable and accrued expenses	46,285		678	(9,139)	37,824
Total current liabilities	46,603		678	(9,139)	38,142
Long-term debt, less current maturities	340,835				340,835
Other long-term liabilities	6,934				6,934
Deferred income taxes	14,064	35,788		(1,357)	48,495
Total liabilities	408,436	35,788	678	(10,496)	434,406
Stockholders equity (deficit)					
Class A common stock	6				6
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	935,446				935,446
Accumulated deficit	(921,305)	(662,180)	5,769	656,411	(921,305)
Total stockholders equity (deficit)	14,150	142,474	18,421	(160,895)	14,150
Total liabilities and stockholders equity (deficit)	$ 422,586	$ 178,262	$ 19,099	$ (171,391)	$ 448,556

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Consolidating Balance Sheet

December 31, 2012

(In thousands)

	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries