ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
November 08, 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 September 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 November 4, 2013, there were 59,572,790 shares, $0.0001 par value per share, of the registrant s Class A common stock outstanding, 19,130,035 shares, $0.0001 par value per share, of the registrant s Class B common stock outstanding and 9,352,729 shares, $0.0001 par value per share, of the registrant s Class U common stock outstanding.

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ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-Q FOR THE THREE - AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 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, anticipate or other similar 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)

	September 30, 2013 (Unaudited)	December 31, 2012
ASSETS		
Current assets		
Cash and cash equivalents	$ 53,546	$ 36,130
Trade receivables, net of allowance for doubtful accounts of $3,342 and $4,396 (including related parties of $6,555 and $4,916)	52,017	48,030
Prepaid expenses and other current assets (including related parties of $274 and $274)	5,434	4,245
Total current assets	110,997	88,405
Property and equipment, net	59,589	61,435
Intangible assets subject to amortization, net (including related parties of $19,139 and $20,880)	20,446	22,349
Intangible assets not subject to amortization	220,701	220,701
Goodwill	36,647	36,647
Other assets	7,284	8,514
Total assets	$ 455,664	$ 438,051
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt	$ 3,750	$ 150
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $4,004 and $3,576)	29,025	39,158
Total current liabilities	32,893	39,426
Long-term debt, less current maturities (net of bond discount of $0 and $2,982)	371,250	340,664
Other long-term liabilities	6,874	7,359
Deferred income taxes	50,256	45,201

Total liabilities		461,273		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 59,257,790; 2012 54,404,226		6		5
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2013 19,430,035; 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		937,071		930,814
Accumulated deficit		(942,689)		(925,421)
Total stockholders equity (deficit)		(5,609)		5,401
Total liabilities and stockholders equity (deficit)	$	455,664	$	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 September 30, 2013	Three-Month Period Ended September 30, 2012	Nine-Month Period Ended September 30, 2013	Nine-Month Period Ended September 30, 2012
Net revenue	$ 57,786	$ 58,486	$ 163,823	$ 159,501
Expenses:				
Direct operating expenses (including related parties of $2,618, $2,788, $7,560 and $7,493) (including non-cash stock-based compensation of $297, $45, $776 and $101)	25,860	23,293	76,073	67,803
Selling, general and administrative expenses (including non-cash stock-based compensation of $0, $222, $0 and $546)	8,131	9,593	23,238	28,600
Corporate expenses (including non-cash stock-based compensation of $979, $498, $2,742 and $1,116)	5,011	4,465	14,244	12,527
Depreciation and amortization (includes direct operating of $2,668, $3,061, $8,599 and $9,278 selling, general and administrative of $723, $718, $2,150 and $2,155 and corporate of $222, $234, $639 and $1,003 (including related parties of $580, $580, $1,741 and $2,053)	3,613	4,013	11,388	12,436
	42,615	41,364	124,943	121,366
Operating income (loss)	15,171	17,122	38,880	38,135
Interest expense	(5,352)	(8,671)	(21,017)	(26,730)
Interest income	12	10	28	23
Gain (loss) on debt extinguishment	(29,404)		(29,534)	(1,230)
Income (loss) before income taxes	(19,573)	8,461	(11,643)	10,198
Income tax (expense) benefit	(1,811)	(1,228)	(5,625)	(4,294)
Net income (loss) applicable to common stockholders	$ (21,384)	$ 7,233	$ (17,268)	$ 5,904
Basic and diluted earnings per share:				
Net income (loss) per share applicable to common stockholders, basic and diluted	$ (0.24)	$ 0.08	$ (0.20)	$ 0.07

Weighted average common shares outstanding, basic	87,959,856	85,940,225	87,170,106	85,861,671
Weighted average common shares outstanding, diluted	87,959,856	86,386,655	87,170,106	86,220,868

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Nine-Month Period Ended September 30, 2013	2012
Cash flows from operating activities:		
Net income (loss)	$ (17,268)	$ 5,904
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	11,388	12,436
Deferred income taxes	5,055	3,485
Amortization of debt issue costs	1,438	1,706
Amortization of syndication contracts	450	556
Payments on syndication contracts	(995)	(1,369)
Non-cash stock-based compensation	3,518	1,763
(Gain) loss on debt extinguishment	29,534	1,230
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,701)	(3,511)
(Increase) decrease in prepaid expenses and other assets	(1,323)	(1,056)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(10,111)	(7,466)
Net cash provided by (used in) operating activities	17,985	13,678
Cash flows from investing activities:		
Purchases of property and equipment and intangibles	(7,568)	(6,502)
Net cash provided by (used in) investing activities	(7,568)	(6,502)
Cash flows from financing activities:		
Proceeds from issuance of common stock	2,740	23
Payments on long-term debt	(365,047)	(20,600)
Proceeds from borrowings on long-term debt	375,000	
Payments of capitalized debt offering and issuance costs	(5,694)	(80)
Net cash provided by (used in) financing activities	6,999	(20,657)
Net increase (decrease) in cash and cash equivalents	17,416	(13,481)
Cash and cash equivalents:		
Beginning	36,130	58,719
Ending	$ 53,546	$ 45,238

Supplemental disclosures of cash flow information:		
Cash payments for:		
Interest	$ 29,175	$ 33,708
Income taxes	$ 570	$ 809

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

SEPTEMBER 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 September 30, 2013 and 2012, the amount the Company paid Univision in this capacity was $2.6 million and $2.8 million, respectively. During the nine-month periods ended September 30, 2013 and 2012, the amount the Company paid Univision in this capacity was $7.6 million and $7.5 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 September 30, 2013, the amount due to the Company from Univision was $6.6 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 $1.3 million and $0.8 million for the three-month periods ended September 30, 2013 and 2012, respectively. Stock-based compensation expense related to grants of stock options and restricted stock units was $3.5 million and $1.8 million for the nine-month periods ended September 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:

	Nine-Month Period Ended September 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 September 30, 2013, there was approximately $4.1 million of total unrecognized compensation expense related to grants of stock options that is expected to be recognized over a weighted-average period of 1.5 years.

Restricted Stock Units

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

As of September 30, 2013, there was approximately $0.2 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 0.8 years.

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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 September 30,		Nine-Month Period Ended September 30,	
	2013	2012	2013	2012
Basic earnings per share:				
Numerator:				
Net income (loss) applicable to common stockholders	$ (21,384)	$ 7,233	$ (17,268)	$ 5,904
Denominator:				
Weighted average common shares outstanding	87,959,856	85,940,225	87,170,106	85,861,671
Per share:				
Net income (loss) per share applicable to common stockholders	$ (0.24)	$ 0.08	$ (0.20)	$ 0.07
Diluted earnings per share:				
Numerator:				
Net income (loss) applicable to common stockholders	$ (21,384)	$ 7,233	$ (17,268)	$ 5,904
Denominator:				
Weighted average common shares outstanding	87,959,856	85,940,225	87,170,106	85,861,671
Dilutive securities:				
Stock options and restricted stock units		446,430		359,197
Diluted shares outstanding	87,959,856	86,386,655	87,170,106	86,220,868
Per share:				
Net income (loss) per share applicable to common stockholders	$ (0.24)	$ 0.08	$ (0.20)	$ 0.07

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

For the three- and nine-month periods ended September 30, 2013, 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 2,451,894 and 1,736,783 equivalent shares of dilutive securities for the three- and nine-month periods ended September 30, 2013, respectively.

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

Notes

The following discussion pertains to the Company s 8.75% senior secured first lien notes due 2017, (the Notes), and the indenture governing the Notes, (the Indenture), as the same existed during the three- and nine-month periods ended September 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 with a maturity date of 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.

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

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 Note 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 the Company 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 do 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, 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, 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.

As discussed in more detail below, on August 2, 2013, we redeemed the Notes and the Indenture was terminated.

The Company recognized interest expense related to amortization of the bond discount of $0 and $0.1 million for the three-month periods ended September 30, 2013 and 2012, respectively. The Company recognized interest expense related to amortization of the bond discount of $0.3 and $0.4 million for the nine-month periods ended September 30, 2013 and 2012, respectively.

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), pursuant to an amended and restated agreement dated as of December 20, 2012 (the 2012 Credit Agreement). The 2012 Credit Facility was terminated on May 31, 2013 when the Company entered into its current term loan and revolving credit facility of up to $405.0 million (the 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 Agreement pursuant to the 2012 Credit Facility. The 2012 Credit Facility had an expiration date of December 20, 2016 and consisted of a four-year $20 million term loan facility and a four-year $30 million revolving credit facility, 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 interest 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.

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2013 Credit Facility

On May 31, 2013, the Company entered into the 2013 Credit Facility pursuant to the 2013 Credit Agreement. The 2013 Credit Facility consists of a $20.0 million senior secured Term Loan A Facility (the Term Loan A Facility), a $375.0 million senior secured Term Loan B Facility (the Term Loan B Facility ; and together with the Term Loan A Facility, the Term Loan Facilities) which was drawn on August 1, 2013 (the Term Loan B Borrowing Date), and a $30.0 million 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 were used on the closing date of the 2013 Credit Facility (the Closing Date) (together with cash on hand) 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 with the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, the Company drew on the Company s Term Loan B Facility 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). The 2013 Credit Facility is secured on a first priority basis by the Company s and the Credit Parties assets. Upon the redemption of the outstanding Notes, the security interests and guaranties of the Company and its Credit Parties under the Indenture and the Notes were terminated and released.

The Company s borrowings under the 2013 Credit Facility 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). As of September 30, 2013, the Company s effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 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 September 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
≥ 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 Term Loan B Borrowing Date, (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;

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.

On August 1, 2013, the Company drew on borrowings under the Company s Term Loan B Facility. The borrowings were used to (i) repay in full all of the outstanding loans under the Company s Term Loan A Facility; (ii) redeem in full and terminate all of its outstanding obligations (the Redemption) on August 2, 2013 (the Redemption Date) under the Indenture, in an aggregate principal amount of approximately $324 million, and (iii) pay any fees and expenses in connection therewith. The redemption price for the redeemed Notes was 106.563% of the principal amount, plus accrued and unpaid interest thereon to the Redemption Date.

The Redemption constituted a complete redemption of the Notes, such that no amount remained outstanding following the Redemption. Accordingly, the Indenture has been satisfied and discharged in accordance with its terms and the Notes have been cancelled, effective as of the Redemption Date. The Company recorded a loss on debt extinguishment of $29.4 million, primarily due to the premium associated with the redemption of the Notes, the unamortized bond discount and finance costs.

The carrying amount and estimated fair value of the Term Loan B as of September 30, 2013 were $375 million and $372 million, respectively. 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

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . The update provides guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. This update becomes effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating the impact of this update 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 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.

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 nine-month periods ended September 30, 2013 and 2012. The Company evaluates the performance of its operating segments based on the following (in thousands):

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	Three-Month Period Ended September 30, 2013	2012	% Change 2013 to 2012	Nine-Month Period Ended September 30, 2013	2012	% Change 2013 to 2012
Net Revenue						
Television	$ 39,747	$ 40,903	(3)%	$ 114,289	$ 111,466	3%
Radio	18,039	17,583	3%	49,534	48,035	3%
Consolidated	57,786	58,486	(1)%	163,823	159,501	3%
Direct operating expenses						
Television	15,905	14,349	11%	46,884	41,567	13%
Radio	9,955	8,944	11%	29,189	26,236	11%
Consolidated	25,860	23,293	11%	76,073	67,803	12%
Selling, general and administrative expenses						
Television	4,127	5,224	(21)%	11,635	15,747	(26)%
Radio	4,004	4,369	(8)%	11,603	12,853	(10)%
Consolidated	8,131	9,593	(15)%	23,238	28,600	(19)%
Depreciation and amortization						
Television	2,918	3,227	(10)%	9,249	10,088	(8)%
Radio	695	786	(12)%	2,139	2,348	(9)%
Consolidated	3,613	4,013	(10)%	11,388	12,436	(8)%
Segment operating profit						
Television	16,797	18,103	(7)%	46,521	44,064	6%
Radio	3,385	3,484	(3)%	6,603	6,598	0%
Consolidated	20,182	21,587	(7)%	53,124	50,662	5%
Corporate expenses	5,011	4,465	12%	14,244	12,527	14%
Operating income (loss)	15,171	17,122	(11)%	38,880	38,135	2%
Interest expense	(5,352)	(8,671)	(38)%	(21,017)	(26,730)	(21)%
Interest income	12	10	20%	28	23	22%
Gain (loss) on debt extinguishment	(29,404)		*	(29,534)	(1,230)	*
Income (loss) before income taxes	$ (19,573)	$ 8,461	*	$ (11,643)	$ 10,198	*
Capital expenditures						
Television	$ 2,298	$ 3,130		$ 5,853	$ 5,812	
Radio	1,098	416		1,785	1,322	

Consolidated	$ 3,396	$ 3,546	$ 7,638	$ 7,134

	September 30, 2013	December 31, 2012
Total assets		
Television	$ 331,189	$ 313,904
Radio	124,475	124,147
Consolidated	$ 455,664	$ 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.

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

Overview

We are a diversified Spanish-language media company utilizing a combination of television and radio operations, together with mobile, digital and other interactive media platforms, to reach Hispanic consumers across the United States, as well as the border markets of Mexico. With the purchase of Univision in 2007 by a private equity consortium, we believe that we are now the largest independent public media company focused principally on the U.S. Hispanic audience.

We operate in two reportable segments: television broadcasting and radio broadcasting. Our net revenue for the three-month period ended September 30, 2013, was $57.8 million. Of that amount, revenue generated by our television segment accounted for 69% and revenue generated by our radio segment accounted for 31%.

As of the date of filing this report, we own and/or operate 56 primary television stations located primarily in California, Colorado, Connecticut, Florida, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C. We own and operate 49 radio stations (38 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas.

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

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

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

Highlights

During the third quarter of 2013, net revenue decreased due to a decrease in political revenue, which was not material in 2013, partially offset by the growth of advertising revenue in both our television and radio segments. Net revenue decreased to $57.8 million, a decrease of $0.7 million, or 1%, from the third quarter of 2012. Our audience shares remained strong in the nation s most densely populated Hispanic markets.

Net revenue in our television segment decreased to $39.7 million in the third quarter of 2013 from $40.9 million in the third quarter of 2012. This decrease of $1.2 million, or 3%, in net revenue was primarily due to a decrease in political advertising revenue, which was not material in 2013, partially offset by increases in local advertising revenue and retransmission consent revenue. We generated a total of $5.3 million of retransmission consent revenue in the third quarter of 2013. We anticipate that retransmission consent revenue for the full year 2013 will be greater than it was for the full year 2012 and will continue to be a growing source of net revenues in future periods.

Net revenue in our radio segment increased to $18.0 million in the third quarter of 2013 from $17.6 million in the third quarter of 2012. This increase of $0.4 million, or 3%, in net revenue was primarily due to an increase in local advertising revenue, partially offset by a decrease in political and national advertising revenue, which was not material in 2013.

Interest expense in the third quarter decreased by $3.3 million, or 38%, from the third quarter of 2012, as a result of the redemption of our Notes in August 2013 using the proceeds of our Term Loan B. The Notes had a fixed interest rate of 8.75% while the Term Loan B had an effective interest rate of 3.5% as of September 30, 2013.

Relationship with Univision

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

Under the network affiliation agreements, Univision acts as our exclusive sales representative for the sale of national advertising on our Univision- and UniMás-affiliate television stations, and we pay certain sales representation fees to Univision relating to sales of all advertising for broadcast on our Univision- and UniMás-affiliate television stations. During the three-month periods ended September 30, 2013 and 2012, the amount we paid Univision in this capacity was $2.6 million and $2.8 million, respectively. During the nine-month periods ended September 30, 2013 and 2012, the amount we paid Univision in this capacity was $7.6 million and $7.5 million, respectively.

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

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 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 us by Univision with respect to retransmission consent agreements entered into with MVPDs. As of September 30, 2013, the amount due to us from Univision was $6.6 million related to the agreements for the carriage of our Univision and UniMás-affiliated television station signals.

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

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

Recent Accounting Pronouncements

In July 2013, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2013-11, Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . The update provides guidance on the financial statement presentation of an unrecognized tax benefit, as either a reduction of a deferred tax asset or as a liability, when a net operating loss carryforward, similar tax loss, or a tax credit carryforward exists. This update becomes effective for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company is currently evaluating the impact of this update on the consolidated financial statements.

Three-and Nine-Month Periods Ended September 30, 2013 and 2012

The following table sets forth selected data from our operating results for the three- and nine-month periods ended September 30, 2013 and 2012 (in thousands):

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	Three-Month Period Ended September 30, 2013	2012	% Change	Nine-Month Period Ended September 30, 2013	2012	% Change
Statements of Operations Data:						
Net revenue	$ 57,786	$ 58,486	(1)%	$ 163,823	$ 159,501	3%
Direct operating expenses	25,860	23,293	11%	76,073	67,803	12%
Selling, general and administrative expenses	8,131	9,593	(15)%	23,238	28,600	(19)%
Corporate expenses	5,011	4,465	12%	14,244	12,527	14%
Depreciation and amortization	3,613	4,013	(10)%	11,388	12,436	(8)%
	42,615	41,364	3%	124,943	121,366	3%
Operating income	15,171	17,122	(11)%	38,880	38,135	2%
Interest expense	(5,352)	(8,671)	(38)%	(21,017)	(26,730)	(21)%
Interest income	12	10	20%	28	23	22%
Gain (loss) on debt extinguishment	(29,404)		*	(29,534)	(1,230)	*
Income (loss) before income taxes	(19,573)	8,461	*	(11,643)	10,198	*
Income tax (expense) benefit	(1,811)	(1,228)	47%	(5,625)	(4,294)	31%
Net income (loss) applicable to common stockholders	$ (21,384)	$ 7,233	*	$ (17,268)	$ 5,904	*
Other Data:						
Capital expenditures	3,396	3,546		7,638	7,134	
Consolidated adjusted EBITDA (adjusted for non-cash stock-based compensation) (1)				53,241	51,521	
Net cash provided by (used in) operating activities				17,985	13,678	
Net cash provided by (used in) investing activities				(7,568)	(6,502)	
Net cash provided by (used in) financing activities				6,999	(20,657)	

(1) Consolidated adjusted EBITDA means net income (loss) plus gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation included in operating and corporate expenses, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our 2013 Credit Facility and does not include gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation, net interest expense, other income (loss), gain (loss) on debt

extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization and does include syndication programming payments.

Since our ability to borrow from our 2013 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 2013 Credit Facility contains a total net leverage ratio financial covenant. The total net leverage ratio, or the ratio of consolidated total debt (net of up to $20 million of unrestricted cash) to trailing-twelve-month consolidated adjusted EBITDA, affects both our ability to borrow from our 2013 Credit Facility and our applicable margin for the interest rate calculation. Under our 2013 Credit Facility, our maximum total leverage ratio may not exceed 7.00 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of September 30): 2013, 4.5 to 1; 2012, 5.2 to 1. Therefore, we were in compliance with this covenant at each of those dates.

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

Consolidated adjusted EBITDA is a non-GAAP measure. 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):

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	Nine-Month Period Ended September 30,	
	2013	2012
Consolidated adjusted EBITDA (1)	$ 53,241	$ 51,521
Interest expense	(21,017)	(26,730)
Interest income	28	23
Income tax (expense) benefit	(5,625)	(4,294)
Amortization of syndication contracts	(450)	(556)
Payments on syndication contracts	995	1,369
Non-cash stock-based compensation included in direct operating expenses	(776)	(101)
Non-cash stock-based compensation included in selling, general and administrative expenses		(546)
Non-cash stock-based compensation included in corporate expenses	(2,742)	(1,116)
Depreciation and amortization	(11,388)	(12,436)
Gain (loss) on debt extinguishment	(29,534)	(1,230)
Net income (loss)	(17,268)	5,904
Depreciation and amortization	11,388	12,436
Deferred income taxes	5,055	3,485
Amortization of debt issue costs	1,438	1,706
Amortization of syndication contracts	450	556
Payments on syndication contracts	(995)	(1,369)
Non-cash stock-based compensation	3,518	1,763
(Gain) loss on debt extinguishment	29,534	1,230
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,701)	(3,511)
(Increase) decrease in prepaid expenses and other assets	(1,323)	(1,056)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(10,111)	(7,466)
Cash flows from operating activities	$ 17,985	$ 13,678

Consolidated Operations

Net Revenue. Net revenue decreased to $57.8 million for the three-month period ended September 30, 2013 from $58.5 million for the three-month period ended September 30, 2012, a decrease of $0.7 million. Of the overall decrease, $1.2 million was generated by our television segment and was primarily attributable to a decrease in political advertising revenue, which was not material in 2013, partially offset by increases in local advertising revenue and retransmission consent revenue. This decrease was partially offset by an approximately $0.5 million increase that was generated by our radio segment and was primarily attributable to an increase in local advertising revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013.

Net revenue increased to $163.8 million for the nine-month period ended September 30, 2013 from $159.5 million for the nine-month period ended September 30, 2012, an increase of $4.3 million. Of the overall increase, $2.8 million was generated by our television segment and was primarily attributable to increases in local and national advertising revenue and retransmission consent revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013. Additionally, $1.5 million of the overall increase was generated by our radio segment and was primarily attributable to increases in local and national advertising revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013.

We believe that we will continue to face a challenging advertising environment for the remainder of 2013 since we will not have revenue from political advertising that positively impacted our results of operations in 2012.

Direct Operating Expenses. Direct operating expenses increased to $25.9 million for the three-month period ended September 30, 2013 from $23.3 million for the three-month period ended September 30, 2012, an increase of $2.6 million. In late 2012, we announced a new management structure with an increased focus on sales for several managers that resulted in the shifting of their salaries to direct operating expense from selling, general and administrative expense. Of the overall increase, $1.6 million was generated by our television segment and was primarily attributable to an increase in salary expense due to our new management structure and an increase in expenses associated with the increase in local advertising revenue. Additionally, $1.0 million of the overall increase was generated by our radio segment and was primarily attributable to an increase in salary expense due to our new management structure. As a percentage of net revenue, direct operating expenses increased to 45% for the three-month period ended September 30, 2013 from 40% for the three-month period ended September 30, 2012. Direct operating expenses as a percentage of net revenue increased because direct operating expenses increased, while net revenue decreased. However, this increase as a percentage of revenue may not be directly comparable because of the new management structure and the shifting of certain expenses to direct operating expenses (which increased) from selling, general and administrative expense (which decreased).

Direct operating expenses increased to $76.1 million for the nine-month period ended September 30, 2013 from $67.8 million for the nine-month period ended September 30, 2012, an increase of $8.3 million. Of the overall increase, $5.3 million was generated by our television segment and was primarily attributable to an increase in salary expense due to our new management structure and an increase in expenses associated with the increase in net revenue. Additionally, $3.0 million of the overall increase was generated by our radio segment and was primarily attributable to an increase in salary expense due to our new management structure. As a percentage of net revenue, direct operating expenses increased to 46% for the nine-month period ended September 30, 2013 from 43% for the nine-month period ended September 30, 2012. Direct operating expenses as a percentage of net revenue increased because the increase in direct operating expenses outpaced the increase in net revenue. However, this increase as a percentage of revenue may not be directly comparable because of the new management structure and the shifting of certain expenses to direct operating expenses (which increased) from selling, general and administrative expense (which decreased).

We believe that direct operating expenses will continue to increase during the remainder of 2013, primarily as a result of the shift in expenses associated with our new management structure.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to $8.1 million for the three-month period ended September 30, 2013 from $9.6 million for the three-month period ended September 30, 2012, a decrease of $1.5 million. Of the overall decrease, $1.1 million was generated by our television segment and was primarily attributable to a decrease in salary expense due to the company s new management structure that resulted in the shifting of their salaries from selling, general and administrative expense to direct operating expense. Additionally, $0.4 million of the overall decrease was generated by our radio segment and was primarily attributable to a decrease in salary expense due to our new management structure. As a percentage of net revenue, selling, general and administrative expenses decreased to 14% for the three-month period ended September 30, 2013 from 16% for the three-month period ended September 30, 2012. Selling, general and administrative expenses as a percentage of net revenue decreased because the decrease in selling, general and administrative expenses outpaced the decrease in net revenue. However, this decrease as a percentage of revenue may not be directly comparable because of the new management structure and the shifting of certain expenses from selling, general and administrative expense (which decreased) to direct operating expenses (which increased).

Selling, general and administrative expenses decreased to $23.2 million for the nine-month period ended September 30, 2013 from $28.6 million for the nine-month period ended September 30, 2012, a decrease of $5.4 million. Of the overall decrease, $4.1 million was generated by our television segment and was primarily attributable to a decrease in salary expense due to the company s new management structure and a decrease in bad debt expense. Additionally, $1.3 million of the overall decrease was generated by our radio segment and was primarily attributable to a decrease in salary expense due to our new management structure. As a percentage of net revenue, selling, general and administrative expenses decreased to 14% for the nine-month period ended September 30, 2013 from 18% for the nine-month period ended September 30, 2012. Selling, general and administrative expenses as a percentage of net revenue decreased because net revenue increased and selling, general and administrative expenses decreased. However, this decrease as a percentage of revenue may not be directly comparable because of the new management structure and the shifting of certain expenses from selling, general and administrative expense (which decreased) to direct operating expenses (which increased).

We believe that selling, general and administrative expenses will continue to decrease during the remainder of 2013, primarily as a result of the shift in expenses associated with our new management structure.

Corporate Expenses. Corporate expenses increased to $5.0 million for the three-month period ended September 30, 2013 from $4.5 million for the three-month period ended September 30, 2012, an increase of $0.5 million. The increase was primarily attributable to an increase in non-cash stock-based compensation expense. As a percentage of net revenue, corporate expenses increased to 9% for the three-month period ended September 30, 2013 from 8% for the three-month period ended September 30, 2012.

Corporate expenses increased to $14.2 million for the nine-month period ended September 30, 2013 from $12.5 million for the nine-month period ended September 30, 2012, an increase of $1.7 million. The increase was primarily attributable to an increase in non-cash stock-based compensation expense. As a percentage of net revenue, corporate expenses increased to 9% for the nine-month period ended September 30, 2013 from 8% for the nine-month period ended September 30, 2012.

We believe that corporate expenses will continue to increase during the remainder of 2013, primarily as a result of increased non-cash stock-based compensation expenses.

Depreciation and Amortization. Depreciation and amortization decreased to $3.6 million for the three-month period ended September 30, 2013 from $4.0 million for the three-month period ended September 30, 2012, a decrease of $0.4 million. The decrease was primarily due to a decrease in depreciation as certain assets are now fully depreciated.

Depreciation and amortization decreased to $11.4 million for the nine-month period ended September 30, 2013 from $12.4 million for the nine-month period ended September 30, 2012, a decrease of $1.0 million. The decrease was primarily due to a decrease in depreciation as certain assets are now fully depreciated.

Operating Income. As a result of the above factors, operating income was $15.2 million for the three-month period ended September 30, 2013, compared to $17.1 million for the three-month period ended September 30, 2012. As a result of the above factors, operating income was $38.9 million for the nine-month period ended September 30, 2013, compared to $38.1 million for the nine-month period ended September 30, 2012.

Interest Expense. Interest expense decreased to $5.4 million for the three-month period ended September 30, 2013 from $8.7 million for the three-month period ended September 30, 2012, a decrease of $3.3 million. This decrease was primarily attributable to our new Term Loan B under the 2013 Credit Facility, which bears interest at a lower rate than our Notes that were fully redeemed in August 2013.

Interest expense decreased to $21.0 million for the nine-month period ended September 30, 2013 from $26.7 million for the nine-month period ended September 30, 2012, a decrease of $5.7 million. This decrease was primarily attributable to a lower average outstanding balance of our Notes, and due to our new Term Loan B under the 2013 Credit Facility, which bears interest at a lower rate than our Notes that were fully redeemed in August 2013.

Loss on Debt Extinguishment. We recorded a loss on debt extinguishment of $29.4 million related to the premium associated with the redemption of our Notes, the unamortized bond discount, and finance costs during the three-month period ended September 30, 2013.

We recorded a loss on debt extinguishment of $29.5 million, primarily related to the premium associated with the redemption of our Notes, the unamortized bond discount, and finance costs during the nine-month period ended September 30, 2013. We recorded a loss on debt extinguishment of $1.2 million related to the premium paid, unamortized finance costs and unamortized bond discount associated with the repurchase of Notes during the nine-month period ended September 30, 2012.

Income Tax Expense. Income tax expense for the nine-month period ended September 30, 2013 was $5.6 million. The effective income tax rate differed from our statutory rate of 34% due to changes in the valuation allowance and deductions attributable to indefinite-lived intangible assets. Income tax expense for the nine-month period ended September 30, 2012 was $4.3 million. The effective income tax rate differed from our statutory rate of 34% due to changes in the valuation allowance and deductions attributable to indefinite-lived intangible assets.

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As of September 30, 2013, we believe that our deferred tax assets will not be fully realized in the future and we are providing a full valuation allowance against those deferred tax assets. In determining our deferred tax assets subject to a valuation allowance, we reduced our deferred tax assets by deferred tax liabilities except for the deferred tax liabilities attributable to indefinite-lived intangibles. The ultimate realization of our deferred tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. Management considers projected taxable income and tax planning strategies in making this assessment.

Segment Operations

Television

Net Revenue. Net revenue in our television segment decreased to $39.7 million for the three-month period ended September 30, 2013 from $40.9 million for the three-month period ended September 30, 2012, a decrease of $1.2 million. The decrease was primarily attributable to a decrease in political advertising revenue, which was not material in 2013, partially offset by increases in local advertising revenue and retransmission consent revenue. We generated a total of $5.3 million and $4.9 million in retransmission consent revenue for the three-month periods ended September 30, 2013 and 2012, respectively.

Net revenue in our television segment increased to $114.3 million for the nine-month period ended September 30, 2013 from $111.5 million for the nine-month period ended September 30, 2012, an increase of $2.8 million. The increase was primarily attributable to increases in local and national advertising revenue and retransmission consent revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013. We generated a total of $16.3 million and $15.0 million in retransmission consent revenue for the nine-month periods ended September 30, 2013 and 2012, respectively. We anticipate that retransmission consent revenue for the full year 2013 will be greater than it was for the full year 2012 and will continue to be a growing source of net revenues in future periods.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $15.9 million for the three-month period ended September 30, 2013 from $14.3 million for the three-month period ended September 30, 2012, an increase of $1.6 million. The increase was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in expenses associated with the increase in local advertising revenue.

Direct operating expenses in our television segment increased to $46.9 million for the nine-month period ended September 30, 2013 from $41.6 million for the nine-month period ended September 30, 2012, an increase of $5.3 million. The increase was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in expenses associated with the increase in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment decreased to $4.1 million for the three-month period ended September 30, 2013 from $5.2 million for the three-month period ended September 30, 2012, a decrease of $1.1 million. The decrease was primarily attributable to a decrease in salary expense due to the company s new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense.

Selling, general and administrative expenses in our television segment decreased to $11.6 million for the nine-month period ended September 30, 2013 from $15.7 million for the nine-month period ended September 30, 2012, a decrease of $4.1 million. The decrease was primarily attributable to a decrease in salary expense due to the company s new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense, and a decrease in bad debt expense.

Radio

Net Revenue. Net revenue in our radio segment increased to $18.0 million for the three-month period ended September 30, 2013 from $17.6 million for the three-month period ended September 30, 2012, an increase of $0.4 million. The increase was primarily attributable to an increase in local revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013.

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Net revenue in our radio segment increased to $49.5 million for the nine-month period ended September 30, 2013 from $48.0 million for the nine-month period ended September 30, 2012, an increase of $1.5 million. The increase was primarily attributable to increases in local and national advertising revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013.

Direct Operating Expenses. Direct operating expenses in our radio segment increased to $9.9 million for the three-month period ended September 30, 2013 from $8.9 million for the three-month period ended September 30, 2012, an increase of $1.0 million. The increase was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in expenses associated with the increase in net revenue.

Direct operating expenses in our radio segment increased to $29.2 million for the nine-month period ended September 30, 2013 from $26.2 million for the nine-month period ended September 30, 2012, an increase of $3.0 million. The increase was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in expenses associated with the increase in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment decreased to $4.0 million for the three-month period ended September 30, 2013 from $4.4 million for the three-month period ended September 30, 2012, a decrease of $0.4 million. The decrease was primarily attributable to a decrease in salary expense due to our new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense.

Selling, general and administrative expenses in our radio segment decreased to $11.6 million for the nine-month period ended September 30, 2013 from $12.9 million for the nine-month period ended September 30, 2012, a decrease of $1.3 million. The decrease was primarily attributable to a decrease in salary expense due to our new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense.

Liquidity and Capital Resources

While we have a history of operating losses in some periods and operating income in other periods, we also have a history of generating significant positive cash flows from our operations. We had net income of approximately $13.6 million for the year ended December 31, 2012 and net losses of approximately $8.2 million, and $18.1 million for the years ended December 31, 2011 and 2010, respectively. We had positive cash flow from operations of $40.0 million, $17.6 million and $37.1 million for the years ended December 31, 2012, 2011 and 2010, respectively. We generated cash flow from operations of $18.0 million for the nine-month period ended September 30, 2013 and we expect to have positive cash flow from operations for the 2013 year. We expect to fund our working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand and cash flows from operations. We currently anticipate that funds generated from operations, cash on hand and available borrowings under our 2013 Credit Facility will be sufficient to meet our anticipated cash requirements for at least the next twelve months.

Interest expense in the third quarter decreased by $3.3 million, or 38%, from the third quarter of 2012, as a result of the redemption of our Notes in August 2013 using the proceeds of our Term Loan B. The Notes had a fixed interest rate of 8.75% while the Term Loan B had an effective interest rate of 3.5% as of September 30, 2013.

Notes

The following discussion pertains to our Notes and the related Indenture as the same existed on June 30, 2013. On August 2, 2013, we redeemed the Notes and the Indenture was terminated.

On July 27, 2010, we completed the offering and sale of $400 million aggregate principal amount of our Notes. The Notes were issued at a discount to 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. We received net proceeds of approximately $388 million from the sale of the Notes (net of bond discount of $5 million and fees of $7 million), which were used to pay all indebtedness then outstanding under our previous syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to offering of the Notes and for general corporate purposes.

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

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

During the fourth quarter of 2012, we 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. We 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 the Note Guarantors. The Notes and the guarantees ranked equal in right of payment to all of our and the guarantors existing and future senior indebtedness and senior in right of payment to all of our and the Note Guarantors existing and future subordinated indebtedness. In addition, the Notes and the guarantees were effectively junior: (i) to our and the Note Guarantors indebtedness secured by assets that are not collateral; (ii) pursuant to an Intercreditor Agreement entered into at the same time that we entered into a previous credit facility in July 2010; and (iii) to all of the liabilities of any of our existing and future subsidiaries that do not guarantee the Notes, to the extent of the assets of those subsidiaries. The Notes were secured by substantially all of our assets, as well as the pledge of the stock of substantially all of our subsidiaries, including the special purpose subsidiary formed to hold the Company s FCC licenses.

We had a 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, as defined in the Indenture, we 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, we 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 us 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.

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As discussed in more detail below, on August 2, 2013, we redeemed the Notes and the Indenture was terminated.

2012 Credit Facility

The following discussion pertains to our 2012 Credit Facility. The 2012 Credit Facility was terminated on May 31, 2013 when we entered into our 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, we entered into the 2012 Credit Facility pursuant to 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 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 the 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 dividend payments and dispose of certain assets, as more fully provided therein.

2013 Credit Facility

On May 31, 2013, we entered into our 2013 Credit Facility pursuant to the 2013 Credit Agreement. The 2013 Credit Facility consists of a $20.0 million senior secured Term Loan A Facility (the Term Loan A Facility), a $375.0 million senior secured Term Loan B Facility (the Term Loan B Facility ; and together with the Term Loan A Facility, the Term Loan Facilities) which was drawn on August 1, 2013 (the Term Loan B Borrowing Date), and a $30.0 million senior secured Revolving Credit Facility (the Revolving Credit Facility). In addition, the 2013 Credit Facility provides that we may increase the aggregate principal amount of the 2013 Credit Facility by up to an additional $100.0 million, subject to us satisfying certain conditions.

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Borrowings under the Term Loan A Facility were used on the Closing Date (together with cash on hand) to (a) repay in full all of our and our subsidiaries outstanding obligations under the 2012 Credit Agreement and to terminate the 2012 Credit Agreement, and (b) pay fees and expenses in connection the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, we drew on borrowings under our Term Loan B Facility 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. We intend to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes 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 the Credit Parties. The 2013 Credit Facility is secured on a first priority basis by our and the Credit Parties assets. Upon the redemption of the outstanding Notes, the security interests and guaranties of us and the Credit Parties under the Indenture and the Notes were terminated and released.

Our borrowings under the 2013 Credit Facility 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). As of September 30, 2013, our effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 2013. The Term Loan B Facility expires on the Term Loan B Maturity Date, which is May 31, 2020 and the Revolving Credit Facility expires on the Revolving Loan Maturity Date, which is May 31, 2018.

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 September 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 we engage 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, we 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 our option 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

Term Loan B Borrowing Date, (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 Facility contains covenants that limit the ability of us 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 us 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 us or any Credit Party in any materially adverse way to the agent or the lenders.

The 2013 Credit Facility 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 Facility 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 us 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 us 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 us first become aware of such failure or first receive written notice of such failure from any lender;
- 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 us 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 us 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 our entering into the 2013 Credit Agreement, we and the Credit Parties also entered into an Amended and Restated Security Agreement, pursuant to which we 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.

On August 1, 2013, we drew on borrowings under our Term Loan B Facility. The borrowings were used to (i) repay in full all of the outstanding loans under our Term Loan A Facility; (ii) redeem in full and terminate all of its outstanding obligations (the Redemption) on August 2, 2013 (the Redemption Date) under the Indenture, in an aggregate principal amount of approximately $324 million, and (iii) pay any fees and expenses in connection therewith. The redemption price for the redeemed Notes was 106.563% of the principal amount, plus accrued and unpaid interest thereon to the Redemption Date.

The Redemption constituted a complete redemption of the Notes, such that no amount remained outstanding following the Redemption. Accordingly, the Indenture has been satisfied and discharged in accordance with its terms and the Notes have been cancelled, effective as of the Redemption Date.

Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) increased to $53.2 million for the nine-month period ended September 30, 2013 from $51.5 million for the nine-month period ended September 30, 2012, an increase of $1.7 million, or 3%. As a percentage of net revenue, consolidated adjusted EBITDA was 32% for the nine-month periods ended September 30, 2013 and 2012.

Consolidated adjusted EBITDA means net income (loss) plus gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation included in operating and corporate expenses, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our 2013 Credit Facility and does not include gain (loss) on sale of assets, depreciation and amortization, non-cash impairment charge, non-cash stock-based compensation, net interest expense, other income (loss), gain (loss) on debt extinguishment, income tax (expense) benefit, equity in net income (loss) of nonconsolidated affiliate, non-cash losses and syndication programming amortization and does include syndication programming payments.

Since our ability to borrow from our 2013 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 2013 Credit Facility contains a total net leverage ratio financial covenant. The total net leverage ratio, or the ratio of consolidated total debt (net of up to $20 million of unrestricted cash) to trailing-twelve-month consolidated adjusted EBITDA, affects both our ability to borrow from our 2013 Credit Facility and our applicable margin for the interest rate calculation. Under our 2013 Credit Facility, our maximum total leverage ratio may not exceed 7.00 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of September 30): 2013, 4.5 to 1; 2012, 5.2 to 1. Therefore, we were in compliance with this covenant at each of those dates.

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

Consolidated adjusted EBITDA is a non-GAAP measure. For a reconciliation of consolidated adjusted EBITDA to cash flows from operating activities, its most directly comparable GAAP financial measure, please see page 19.

Cash Flow

Net cash flow provided by operating activities was $18.0 million for the nine-month period ended September 30, 2013, compared to net cash flow provided by operating activities of $13.7 million for the nine-month period ended September 30, 2012. We had a net loss of $17.3 million for the nine-month period ended September 30, 2013, which was primarily a result of non-cash items, including loss on debt extinguishment of $29.5 million, and depreciation and amortization expense of $11.4 million. We had a net income of $5.9 million for the nine-month period ended

September 30, 2012, which was partially offset by non-cash items, including depreciation and amortization expense of $12.4 million. We expect to have positive cash flow from operating activities for the 2013 year.

Net cash flow used in investing activities was $7.6 million for the nine-month period ended September 30, 2013, compared to net cash flow used in investing activities of $6.5 million for the nine-month period ended September 30, 2012. During the nine-month period ended September 30, 2013, we spent $7.6 million on net capital expenditures. During the nine-month period ended September 30, 2012, we spent $6.5 million on net capital expenditures. We anticipate that our capital expenditures will be approximately $9.5 million for the full year 2013. The amount of our anticipated capital expenditures may change based on future changes in business plans, our financial condition and general economic conditions. We expect to fund capital expenditures with cash on hand and net cash flow from operations.

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Net cash flow provided by financing activities was $7.0 million for the nine-month period ended September 30, 2013, compared to net cash flow used in financing activities of $20.7 million for the nine-month period ended September 30, 2012. During the nine-month period ended September 30, 2013, we received $375.0 million of proceeds related to our 2013 Credit Facility, and $2.7 million related to the issuance of common stock upon the exercise of stock options. We made payments of $343.8 million to fully redeem our Notes and Term Loan A, $21.3 million for the related Notes premium, and $5.7 million in fees and expenses related to our 2013 Credit Facility. During the nine-month period ended September 30, 2012, we made payments of $20.0 million to repurchase debt and $0.6 million for the related debt premium.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Market risk represents the potential loss that may impact our financial position, results of operations or cash flows due to adverse changes in the financial markets. We are exposed to market risk from changes in the base rates on our Term Loan B. Under our 2013 Credit Facility, within two years from its commencement, we are required to enter into derivative financial instrument transactions, such as swaps or interest rate caps, for at least half of the principal balance, in order to manage or reduce our exposure to risk from changes in interest rates. We do not enter into derivatives or other financial instrument transactions for speculative purposes.

Interest Rates

As of September 30, 2013, we had $375 million of variable rate bank debt outstanding under our 2013 Credit Facility. The debt bears interest at LIBOR plus a margin of 2.5%. The LIBOR rate is subject to a 1.0% floor effectively resulting in an effective interest rate of 3.5% at September 30, 2013. In the event LIBOR remains below the floor rate we will still have to pay the floor rate plus the margin. If LIBOR rises above the floor rate, we will have to pay the prevailing LIBOR rate plus the margin.

Because our debt is subject to interest at a variable rate, our earnings will be affected in future periods by changes in interest rates. If LIBOR were to increase by 100 basis points, or one percentage point, from its September 30, 2013 level, our annual interest expense would increase and cash flow from operations would decrease by approximately $0.7 million based on the outstanding balance of our term loan as of September 30, 2013.

ITEM 4. CONTROLS AND PROCEDURES

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

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

Our management, including our chief executive officer and chief financial officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system s objectives will be met. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

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

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PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

No material change.

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

None.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable

ITEM 5. OTHER INFORMATION

Not applicable

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ITEM 6. EXHIBITS

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

* Filed herewith.

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ENTRAVISION COMMUNICATIONS CORPORATI

By: /s/ CHRISTOPHER T. YOUNG

Christopher T. Young

Executive Vice President, Treasurer

and Chief Financial Officer

Date: November 8, 2013

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* Filed herewith.