BLUE CHIP VALUE FUND INC
Form N-Q
November 28, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED

MANAGEMENT INVESTMENT COMPANY

Investment Company Act file number: 811-5003

Blue Chip Value Fund, Inc.

(Exact name of registrant as specified in charter)

1225 17th Street, 26th Floor, Denver, Colorado 80202

(Address of principal executive offices) (Zip code)

Michael P. Malloy

Drinker Biddle & Reath LLP

One Logan Square

18th & Cherry Streets

Philadelphia, Pennsylvania 19103-6996

(Name and address of agent for service)

Registrant s Telephone Number, including Area Code: (800) 624-4190

Date of fiscal year end: December 31

Date of reporting period: July 1, 2008 - September 30, 2008

Item 1 Schedule of Investments.

Blue Chip Value Fund, Inc.

STATEMENT OF INVESTMENTS
September 30, 2008 (Unaudited)

	Shares	Cost	Market Value
COMMON STOCKS - 111.62%			
BASIC MATERIALS - 3.47%			
Forestry & Paper - 3.47%			
Ball Corp.	87,140	$4,576,516	$3,441,159
International Paper Co.	24,400	691,145	638,792
		5,267,661	4,079,951
TOTAL BASIC MATERIALS		5,267,661	4,079,951
CAPITAL GOODS - 6.81%			
Aerospace & Defense - 3.34%			
General Dynamics Corp.	19,300	988,500	1,420,866
Raytheon Co.	46,800	1,676,515	2,504,268
		2,665,015	3,925,134
Farm Equipment - 1.15%			
CNH Global N.V. - ADS (Netherlands)	61,300	2,402,223	1,351,052
Industrial Products - 2.32%			
ITT Corp.	49,000	2,669,572	2,724,890
TOTAL CAPITAL GOODS		7,736,810	8,001,076
COMMERCIAL SERVICES - 6.70%			
Business Products & Services - 3.60%			
Quanta Services Inc.**	156,500	4,891,799	4,227,065
IT Services - 1.15%			
Computer Sciences Corp.**	33,650	1,585,081	1,350,375

Transaction Processing - 1.95%			
The Western Union Co.	92,900	1,710,955	2,291,843
TOTAL COMMERCIAL SERVICES		8,187,835	7,869,283
COMMUNICATIONS - 9.71%			
Networking - 5.01%			
Cisco Systems Inc.**	260,900	6,458,175	5,885,904
Telecomm Equipment & Solutions - 4.70%			
Nokia Corp. - ADR (Finland)	50,630	826,080	944,250
QUALCOMM Inc.	106,400	4,527,012	4,572,008
		5,353,092	5,516,258
TOTAL COMMUNICATIONS		11,811,267	11,402,162
CONSUMER CYCLICAL - 15.09%			
Apparel & Footwear Manufacturers - 3.12%			
Nike Inc.	54,750	3,437,994	3,662,774
Clothing & Accessories - 2.11%			
TJX Companies Inc.	81,300	1,871,890	2,481,276
Hotels & Gaming - 1.68%			
Starwood Hotels & Resorts Worldwide Inc.	70,200	2,964,536	1,975,428

Internet - 1.22%			
Expedia Inc.**	94,700	2,665,192	1,430,917
Publishing & Media - 2.64%			
Walt Disney Co.	101,100	2,533,941	3,102,759
Restaurants - 2.74%			
Darden Restaurants Inc.	112,240	3,111,435	3,213,431
Specialty Retail - 1.58%			
Best Buy Co. Inc	49,300	2,122,036	1,848,750
TOTAL CONSUMER CYCLICAL		18,707,024	17,715,335
CONSUMER STAPLES - 10.14%			
Consumer Products - 3.80%			
Colgate Palmolive Co.	59,300	3,360,379	4,468,255
Food & Agricultural Products - 6.34%			
Bunge Ltd.	18,900	816,104	1,194,102
Campbell Soup Co.	73,500	2,395,771	2,837,100
Unilever N.V. (Netherlands)	121,100	4,282,197	3,410,176
		7,494,072	7,441,378
TOTAL CONSUMER STAPLES		10,854,451	11,909,633
ENERGY - 13.79%			
Exploration & Production - 6.84%			
Occidental Petroleum Corp.	64,080	1,824,272	4,514,436
XTO Energy Inc.	75,537	1,858,249	3,513,981
		3,682,521	8,028,417
Integrated Oils - 2.93%			
Marathon Oil Corp.	86,300	2,546,892	3,440,781
Oil Services - 4.02%			
Transocean Inc. **	42,949	2,572,702	4,717,518
TOTAL ENERGY		8,802,115	16,186,716
INTEREST RATE SENSITIVE - 13.10%			
Insurance - 1.66%			
The Travelers Cos. Inc.	43,100	2,216,802	1,948,120
Integrated Financial Services - 2.73%			
JPMorgan Chase & Co.	68,700	2,923,777	3,208,290
Money Center Banks - 2.47%			
Bank of America Corp.	82,900	3,102,554	2,901,500

Property Casualty Insurance - 1.56%			
ACE Ltd. (Cayman Islands)	33,700	1,884,583	1,824,181
Securities & Asset Management - 4.68%			
Invesco Ltd.	115,800	2,828,748	2,429,484
Legg Mason Inc.	16,300		

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

Overview

We are a diversified Spanish-language media company with a unique portfolio of television and radio assets that reach Hispanic consumers across the United States, as well as the border markets of Mexico. We operate in two reportable segments: television broadcasting and radio broadcasting. Our net revenue for the three-month period ended September 30, 2008 was $61 million. Of that amount, revenue generated by our television segment accounted for 61% and revenue generated by our radio segment accounted for 39%.

As of the date of filing this report, we own and/or operate 51 primary television stations that are located primarily in the southwestern United States, including several key U.S./Mexican border markets. Entravision is the largest affiliate group of both the top-ranked Univision television network and Univision s TeleFutura network, with television stations in 20 of the nation s top 50 U.S. Hispanic markets. We also operate one of the nation s largest groups of primarily Spanish-language radio stations, consisting of 48 owned and operated radio stations (37 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas.

We generate revenue from sales of national and local advertising time on television and radio stations. Advertising rates are, in large part, based on each medium s ability to attract audiences in demographic groups targeted by advertisers. We recognize advertising revenue when commercials are broadcast. We do not obtain long-term commitments from our advertisers and, consequently, they may cancel, reduce or postpone orders without penalties. We pay commissions to agencies for local, regional and national advertising. For contracts directly with agencies, we record net revenue from these agencies. Seasonal revenue fluctuations are common in the broadcasting industry and are due primarily to variations in advertising expenditures by both local and national advertisers.

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

The comparability of our results between 2008 and 2007 is affected by acquisitions and dispositions in those periods. In those years, we primarily acquired new media properties in markets where we already owned existing media properties. While new media properties contribute to the financial results of their markets, we do not attempt to measure their effect as they typically are integrated into existing operations.

Highlights

During the third quarter of 2008, we were confronted with a weak advertising environment due to general economic conditions, both in television and radio. Nevertheless, we continued to invest in our broadcasting assets to build audience shares and maintain our disciplined cost approach. In addition, our balance sheet remains strong and we have ample financial flexibility.

Our television segment generated $37.5 million in net revenue in the third quarter of 2008 as we sustained solid ratings across this segment. Our television results were driven by continued growth in our top advertising categories, including healthcare, grocery and convenience stores, finance and fast food and restaurants, as well as political advertising related to the general election. We continued to enjoy revenue growth from certain of our television stations located in markets with rapidly growing Hispanic populations. Notwithstanding the net revenue growth in these particular areas, net revenue for our television segment as a whole decreased by $2.4 million or 6% for the third quarter of 2008 from $39.9 million for the third quarter of 2007. This decrease in net revenue was primarily due to a significant decrease in the automotive advertising category, as well as an overall decrease in national advertising sales and national advertising rates primarily due to the weak economy.

Our radio segment generated $23.5 million in net revenue in the third quarter of 2008. We concentrated our efforts on local sales, which accounted for 75% of total radio segment sales in the third quarter of 2008. Our radio results were driven by continued growth in some of our top advertising categories, including services and fast food and restaurants, as well as political advertising related to the general election. In addition, we benefited from revenue from our annual Los Angeles promotional event during the

third quarter of 2008. During 2007 this event was held during the second quarter, and, as a result, we did not generate revenue from this event in the third quarter of 2007. Our radio results were also partly due to revenue growth from our radio stations that broadcast the Piolin por la Mañana, syndicated morning show, one of the highest-rated Spanish-language radio programs in the country, and have seen solid ratings growth in a number of these stations. Notwithstanding growth in these particular areas, net revenue for our radio segment as a whole decreased by $0.7 million or 3% for the third quarter of 2008 from $24.2 million for the third quarter of 2007. The decrease in net revenue was primarily due to a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

Pursuant to a stock repurchase plan authorized by the Board of Directors on November 1, 2006, we repurchased a total of 13.0 million shares of Class A common stock for $100 million, the maximum amount authorized by the Board of Directors under this plan. On April 7, 2008, the Board of Directors approved the repurchase of an additional $100 million of the Company s Class A common stock. Under this new plan, we purchased 3.1 million and 4.2 million shares of Class A common stock for approximately $10.1 million and $15.6 million during the three- and nine-month periods ended September 30, 2008, respectively. We purchased a total of 17.2 million shares of Class A common stock for approximately $115.6 million under both plans from inception through September 30, 2008.

In addition, we have taken steps to reduce operating and corporate expense throughout the company.

Acquisitions and Dispositions

In a strategic effort to focus our resources on strengthening existing clusters and expanding into new U.S. Hispanic markets, we regularly review our portfolio of media properties and seek to divest non-core assets in markets where we do not see the opportunity to grow to scale and build out clusters. In accordance with this strategy, we sold our outdoor advertising operations in May 2008 to Lamar Advertising Co. for $101.5 million and the Company no longer has outdoor advertising operations. Accordingly, our financial statements reflect the outdoor advertising operations as discontinued operations; we have presented the related assets and liabilities as assets held for sale and reclassified the related revenue and expenses as discontinued operations.

Relationship with Univision

Univision currently owns less than 15% 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 15% by March 26, 2006 and will not exceed 10% by March 26, 2009.

During the nine-month period ended September 30, 2008, we repurchased 1.5 million shares of Class U common stock held by Univision for $10.4 million.

Univision is the holder of all of our issued and outstanding Class U common stock. The Class U common stock has limited voting rights and does not include the right to elect directors. However, as the holder of all of our issued and outstanding Class U common stock, Univision currently has the right to approve any merger, consolidation or other business combination involving our company, any dissolution of our company and any assignment of the Federal Communications Commission, or FCC, licenses for any of our company s Univision-affiliated television stations. Each share of Class U common stock is automatically convertible into one share of our 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. Pursuant to an investor rights agreement, as amended, between Univision and us, Univision has a right to demand the registration of the sale of shares of our Class U common stock that it owns, which may be exercised on or before March 26, 2009.

Univision acts as our exclusive sales representative for the sale of all national advertising aired on Univision-affiliate television stations. During the three-month periods ended September 30, 2008 and 2007, the amount we paid to Univision in this capacity was $2.5 million and $2.6 million, respectively. During the nine-month periods ended September 30, 2008 and 2007, the amount we paid to Univision in this capacity was $7.1 million and $7.6 million, respectively.

Goodwill and Other Intangible Assets

Goodwill and indefinite life intangibles are not amortized but are tested annually on October 1 for impairment, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. Based on adverse market conditions, decline in prevailing broadcast transaction multiples, deterioration in broadcasting industry revenues, and the significant decline

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in the Company s stock price, we concluded that, in connection with preparing its financial statements for the period ended September 30, 2008, an interim valuation of goodwill and other intangible assets pursuant to SFAS No. 142 was appropriate. In assessing the recoverability of goodwill and indefinite life intangible assets, we must make assumptions about the estimated future cash flows and other factors to determine the fair value of these assets.

We have identified each of our two operating segments to be separate reporting units: radio broadcasting and television broadcasting. The carrying values of the reporting units are determined by allocating all applicable assets (including goodwill) and liabilities based upon the unit in which the assets are employed and to which the liabilities relate, considering the methodologies utilized to determine the fair value of the reporting units.

We conducted a review of the fair value of the radio reporting unit in the third quarter of 2008. The fair value was primarily determined by evaluating discounted cash flow models. The assumptions in the models were based on the reporting unit s projected ability to generate cash flows in various cities or nearby cities, which we refer to as market clusters, based on signal coverage of the markets and on the reporting unit s actual historical results and expected future cash flows in each market cluster. In order to corroborate the fair market value estimated by the discounted cash flow analysis, the review considered recent comparable sales. Based on the assumptions and projections, the radio reporting unit s fair value was less than its carrying value. In accordance with the provisions of SFAS No. 142 Goodwill and Other Intangible Assets (SFAS 142), we recognized impairment losses of $54 million relating to goodwill and $332 million relating to FCC licenses in the radio reporting unit.

We also conducted a review of the fair value of the television reporting unit in the third quarter of 2008. The fair value was primarily determined by evaluating discounted cash flow models. The assumptions in the models were based on the market clusters projected ability to generate cash flows in various cities or nearby cities based on signal coverage of the markets and on the market clusters actual historical results and expected future cash flows in each market cluster. In order to corroborate the fair market value estimated by the discounted cash flow analysis, the review considered recent comparable sales. Based on the assumptions and projections, the television reporting unit s fair value was greater than its carrying value and goodwill for this reporting unit was not impaired. In accordance with the provisions of SFAS 142, we recognized impairment losses of $54 million relating to FCC licenses in the television reporting unit.

Recent Accounting Pronouncements

In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (FSP 157-2), Effective Date of FASB Statement No. 157 which defers the effective date of SFAS 157 for nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). SFAS 157 for items within the scope of FSP 157-2 is effective beginning in the first quarter of 2009. We are currently evaluating the impact of adopting SFAS 157 for items within the scope of FSP 157-2 on the financial statements.

In December 2007, the FASB issued SFAS No. 141R (SFAS 141R), Business Combinations , which requires an acquirer to measure the identifiable assets acquired, the liabilities assumed and any noncontrolling interest in the acquiree at their fair values on the acquisition date, with goodwill being the excess value over the net identifiable assets acquired. SFAS 141R is effective beginning in the first quarter of 2009. We are currently evaluating the impact of adopting SFAS 141R on the financial statements.

In December 2007, the FASB issued SFAS No. 160 (SFAS 160), Noncontrolling Interests in Consolidated Financial Statements , which clarifies that a noncontrolling interest in a subsidiary should be reported as equity in the consolidated financial statements The calculation of earnings per share will continue to be based on income amounts attributable to the parent. SFAS 160 is effective beginning in the first quarter of 2009. We are currently evaluating the impact of adopting SFAS 160 on the financial statements.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133 (SFAS 161), which requires enhanced disclosures for derivative and hedging activities. SFAS 161 will become effective beginning in the first quarter of 2009. We are currently evaluating the impact of adopting SFAS 161 on the financial statements.

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, Goodwill and Other Intangible Assets

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(SFAS 142). The intent of this FSP is to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We are currently evaluating the impact of adopting FSP 142-3 on the financial statements.

Three-and Nine-Month Periods Ended September 30, 2008 and 2007

The following table sets forth selected data from our operating results for the three- and nine-month periods ended September 30, 2008 and 2007 (unaudited; in thousands):

	Three-Month Period Ended September 30,		%	Nine-Month Period Ended September 30,		%
	2008	2007	Change	2008	2007	Change
Statements of Operations Data:						
Net revenue	$ 60,988	$ 64,101	(5)%	$ 179,573	$ 187,532	(4)%
Direct operating expenses	25,583	25,204	2%	76,258	74,429	2%
Selling, general and administrative expenses	11,394	10,734	6%	33,026	33,327	(1)%
Corporate expenses	3,772	3,682	2%	12,703	12,684	0%
Depreciation and amortization	5,998	5,670	6%	17,185	16,993	1%
Impairment charge	440,020		*	440,020		*
	486,767	45,290	*	579,192	137,433	321%
Operating income (loss)	(425,779)	18,811	*	(399,619)	50,099	*
Interest expense	(8,172)	(18,304)	(55)%	(27,595)	(31,221)	(12)%
Interest income	622	1,325	(53)%	1,339	3,891	(66)%
Income (loss) before income taxes	(433,329)	1,832	*	(425,875)	22,769	*
Income tax (expense) benefit	78,847	(831)	*	76,167	(9,248)	*
Income (loss) before equity in net income (loss) of nonconsolidated affiliate and discontinued operations	(354,482)	1,001	*	(349,708)	13,521	*
Equity in net income (loss) of nonconsolidated affiliate	(9)	245	*	(173)	405	*
Income (loss) from continuing operations	(354,491)	1,246	*	(349,881)	13,926	*
		(2,623)	*	(1,573)	(9,992)	(84)%

Loss from discontinued operations						
Net income (loss) applicable to common stockholders	$ (354,491)	$ (1,377)	*	$ (351,454)	$ 3,934	*
Other Data:						
Capital expenditures	$ 5,022	$ 4,008		$ 13,495	$ 11,437	
Consoldated adjusted EBITDA (adjusted for non-cash stock-based compensation) (1)				$ 60,156	$ 69,497	
Net cash provided by operating activities				$ 33,019	$ 40,386	
Net cash provided by (used in) investing activities				$ 64,804	$ (14,733)	
Net cash used in financing activities				$ (67,194)	$ (40,500)	

* Percentage not meaningful.

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

Since our ability to borrow from our syndicated bank credit facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The maximum net debt ratio, or the ratio of consolidated total debt minus cash, up to a maximum of $20 million, to consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. Under our syndicated bank credit facility, our maximum net debt ratio may not exceed 7.0 to 1 on a pro forma basis for the prior full four quarters. The actual maximum net debt ratios were as follows (in each case as of September 30): 2008, 5.5 to 1; 2007, 5.1 to 1. Therefore, we were in compliance with this covenant at each of those dates. The maximum net debt ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense.

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 of sales of assets, non-cash depreciation and amortization, non-cash impairment loss, non-cash stock-based compensation, net interest expense, income tax expense (benefit), equity in net income (loss) of nonconsolidated affiliate, loss from discontinued operations 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. We also use consolidated adjusted EBITDA, along with other factors, to make executive compensation decisions.

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

	Nine-Month Period Ended September 30,	
	2008	2007
Consolidated adjusted EBITDA (1)	$ 60,156	$ 69,497
Interest expense	(27,595)	(31,221)
Interest income	1,339	3,891
Income tax (expense) benefit	76,167	(9,248)
Amortization of syndication contracts	(2,255)	(1,078)
Payments on syndication contracts	2,135	979
Non-cash stock-based compensation included in direct operating expenses	(462)	(356)
Non-cash stock-based compensation included in selling, general and administrative expenses	(579)	(535)
Non-cash stock-based compensation included in corporate expenses	(1,409)	(1,415)
Depreciation and amortization	(17,185)	(16,993)
Impairment charge	(440,020)	
Equity in net income (loss) of nonconsolidated affiliates	(173)	405
Loss from discontinued operations	(1,573)	(9,992)
Net income (loss)	(351,454)	3,934
Depreciation and amortization	17,185	16,993
Impairment charge	440,020	
Deferred income taxes	(77,537)	7,563
Amortization of debt issue costs	302	303
Amortization of syndication contracts	2,255	1,078
Payments on syndication contracts	(2,135)	(979)
Equity in net (income) loss of nonconsolidated affiliate	173	(405)
Non-cash stock-based compensation	2,450	2,306
Change in fair value of interest rate swap agreements	3,647	7,467
Changes in assets and liabilities, net of effect of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	3,648	(7,113)
Increase in prepaid expenses and other assets	(100)	(1,243)
Decrease in accounts payable, accrued expenses and other liabilities	(3,205)	(1,058)
Effect of discontinued operations	(2,230)	11,540
Cash flows from operating activities	$ 33,019	$ 40,386

(Footnotes on Preceding Page)

Consolidated Operations

Net Revenue. Net revenue decreased to $61.0 million for the three-month period ended September 30, 2008 from $64.1 million for the three-month period ended September 30, 2007, a decrease of $3.1 million. Of the overall decrease, $2.4 million came from our television segment and was primarily attributable to a decrease in national and local advertising sales, which in turn was primarily due

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to the weak economy. Additionally, $0.7 million of the decrease came from our radio segment and was primarily attributable to a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

Net revenue decreased to $179.6 million for the nine-month period ended September 30, 2008 from $187.5 million for the nine-month period ended September 30, 2007, a decrease of $7.9 million. Of the overall decrease, $4.4 million came from our television segment and was primarily attributable to a decrease in national advertising sales and rates, which in turn was primarily due to the weak economy. Additionally, $3.5 million of the decrease came from our radio segment and was primarily attributable to a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

We currently anticipate that net revenue will decrease during the fourth quarter of 2008 due to a challenging advertising environment. We do not know when the advertising environment will change. However, we anticipate that the advertising environment will improve when the economy improves.

Direct Operating Expenses. Direct operating expenses increased to $25.6 million for the three-month period ended September 30, 2008 from $25.2 million for the three-month period ended September 30, 2007, an increase of $0.4 million. Of the overall increase, $0.3 million came from our radio segment and was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue. The remaining increase of $0.1 million during the three-month period ended September 30, 2008 came from our television segment and was primarily attributable to increases in news costs related to the expansion of our newscast operations and rent expense, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue. As a percentage of net revenue, direct operating expenses increased to 42% for the three-month period ended September 30, 2008 from 39% for the three-month period ended September 30, 2007. Direct operating expenses as a percentage of net revenue increased because direct operating expenses increased while net revenue decreased.

Direct operating expenses increased to $76.3 million for the nine-month period ended September 30, 2008 from $74.4 million for the nine-month period ended September 30, 2007, an increase of $1.9 million. Of the overall increase, $1.4 million came from our radio segment and was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue. The remaining increase of $0.5 million during the nine-month period ended September 30, 2008 came from our television segment and was primarily attributable to increases in news costs related to the expansion of our newscast operations and an increase in syndication expense, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue. As a percentage of net revenue, direct operating expenses increased to 42% for the nine-month period ended September 30, 2008 from 40% for the nine-month period ended September 30, 2007. Direct operating expenses as a percentage of net revenue increased because direct operating expenses increased while net revenue decreased.

We currently anticipate that our direct operating expenses will decrease during the fourth quarter of 2008.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $11.4 million for the three-month period ended September 30, 2008 from $10.7 million for the three-month period ended September 30, 2007, an increase of $0.7 million. Of the overall increase, $0.9 million came from our radio segment and was primarily attributable to an increase in third quarter expenses associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008. The overall increase was partially offset by a decrease of $0.2 million from our television segment. The decrease was primarily attributable to a decrease in bonuses associated with the decrease in net revenue. As a percentage of net revenue, selling, general and administrative expenses increased to 19% for the three-month period

ended September 30, 2008 from 17% for the three-month period ended September 30, 2007. Selling, general and administrative expenses as a percentage of net revenue increased because selling, general and administrative expenses increased while net revenue decreased.

Selling, general and administrative expenses decreased to $33.0 million for the nine-month period ended September 30, 2008 from $33.3 million for the nine-month period ended September 30, 2007, a decrease of $0.3 million. Of the overall decrease, $0.5 million came from our television segment and was primarily attributable to a decrease in bonuses associated with the decrease in net revenue. The overall decrease was partially offset by an increase of $0.2 million from our radio segment. The increase was primarily attributable to an increase in wages and rent expense. As a percentage of net revenue, selling, general and administrative expenses remained the same at 18% for each of the nine-month periods ended September 30, 2008 and 2007.

We currently anticipate that our selling, general and administrative expenses will decrease during the fourth quarter of 2008.

Corporate Expenses. Corporate expenses increased to $3.8 million for the three-month period ended September 30, 2008 from $3.7 million for the three-month period ended September 30, 2007, an increase of $0.1 million. The increase was attributable to an increase in non-cash stock-based compensation of $0.1 million. As a percentage of net revenue, corporate expense remained the same at 6% for each of the three-month periods ended September 30, 2008 and 2007.

Corporate expenses were $12.7 million for each the nine-month periods ended September 30, 2008 and 2007. As a percentage of net revenue, corporate expense remained the same at 7% for each of the nine-month periods ended September 30, 2008 and 2007.

We currently anticipate that our corporate expenses will remain constant during the fourth quarter of 2008 as compared to the fourth quarter of 2007. Due to the decrease in net revenue, we currently anticipate that for the full year of 2008 corporate expenses as a percentage of net revenue will increase.

Depreciation and Amortization. Depreciation and amortization increased to $6.0 million for three-month period ended September 30, 2008 from $5.7 million for the three-month period ended September 30, 2007, an increase of $0.3 million. The increase was primarily due to depreciation of television digital equipment and depreciation associated with the acquisition of radio assets in the Orlando market in March 2008.

Depreciation and amortization increased to $17.2 million for the nine-month period ended September 30, 2008 from $17.0 million for the nine-month period ended September 30, 2007, an increase of $0.2 million. The increase was primarily due to depreciation of television digital equipment and depreciation associated with the acquisition of radio assets in the Orlando market in March 2008, partially offset by certain radio tower equipment becoming fully depreciated.

Impairment Charge. The impairment charge of $440 million for the three- and nine-month periods ended September 30, 2008 was a result of a $54 million impairment of goodwill in our radio segment, a $332 million impairment of our radio FCC licenses and a $54 million impairment of our television FCC licenses.

Operating Income (Loss). As a result of the above factors, operating loss was $425.8 million for the three-month period ended September 30, 2008, compared to an operating income of $18.8 million for the three-month period ended September 30, 2007. As a result of the above factors, operating loss was $399.6 million for the nine-month period ended September 30, 2008, compared to an operating income of $50.1 million for the nine-month period ended September 30, 2007.

Interest Expense (Income), Net. Interest expense was $8.2 million for the three-month period ended September 30, 2008 compared to interest expense of $18.3 million for the three-month period ended September 30, 2007, a decrease of $10.1 million. The three-month period ended September 30, 2007 had higher interest expense primarily attributable to the decrease in the fair value of our interest rate swap agreements.

Interest expense was $27.6 million for the nine-month period ended September 30, 2008 compared to interest expense of $31.2 million for the nine-month period ended September 30, 2007, a decrease of $3.6 million. The nine-month period ended September 30, 2007 had higher interest expense primarily attributable to the decrease in the fair value of our interest rate swap agreements.

Income Tax Benefit. Our expected annual tax rate is approximately 32% of pre-tax income or loss, adjusted for permanent tax differences. The effective tax rate for the three- and nine-month period

ended September 30, 2008 decreased due to an increase in the valuation allowance and the impairment of goodwill. As described above, for the three- and nine-month periods ended September 30, 2008, we recognized a $54 million impairment of goodwill in our radio segment of which approximately $41.3 million of the impairment is not deductible for tax purposes. As a result, no tax benefit was recorded for the related impairment of goodwill that is not deductible for tax purposes.

In accordance with SFAS No. 109, Accounting for Income Taxes (SFAS 109), during the three- and nine-months ended September 30, 2008, we provided a full valuation on our net deferred tax assets arising primarily from net operating loss carryforwards where, as a result of our continued losses, that our future realization of such benefits are uncertain and that it is not more likely than not that the assets will be realizable. In determining our valuation allowance, we excluded the deferred tax liabilities related to our indefinite-lived assets. As a result, we increased the valuation allowance against our net deferred tax assets by $69.2 million for the three- and nine-month periods ended September 30, 2008. We will continue to assess our valuation allowance in future periods based upon the provisions of SFAS 109.

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Loss from Discontinued Operations. We sold our outdoor advertising operations during the second quarter of 2008 and no longer have outdoor advertising operations. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS 144) we reported the results of our outdoor advertising operations in discontinued operations within the statements of operations. The loss from discontinued operations decreased to $1.6 million for the nine-month period ended September 30, 2008 from $10.0 million for the nine-month period ended September 30, 2007, a decrease of $8.4 million. The decrease was primarily attributable to the decrease in depreciation and amortization.

Segment Operations

Television

Net Revenue. Net revenue in our television segment decreased to $37.5 million for the three-month period ended September 30, 2008 from $39.9 million for the three-month period ended September 30, 2007, a decrease of $2.4 million. The overall decrease was primarily attributable to a decrease in national and local advertising sales, which in turn was primarily due to the weak economy.

Net revenue in our television segment decreased to $112.5 million for the nine-month period ended September 30, 2008 from $117.0 million for the nine-month period ended September 30, 2007, a decrease of $4.5 million. The overall decrease was primarily attributable to a decrease in national advertising sales and rates, which in turn was primarily due to the weak economy.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $16.4 million for the three-month period ended September 30, 2008 from $16.3 million for the three-month period ended September 30, 2007, an increase of $0.1 million. The increase was primarily attributable to increases in news costs related to the expansion of our newscast operations and rent expense, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue.

Direct operating expenses in our television segment increased to $48.5 million for the nine-month period ended September 30, 2008 from $48.0 million for the nine-month period ended September 30, 2007, an increase of $0.5 million. The increase was primarily attributable to increases in news costs related to the expansion of our newscast operations and an increase in syndication expense, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment decreased to $5.5 million for the three-month periods ended September 30, 2008 from $5.8 million for the three-month period ended September 30, 2007, a decrease of $0.3 million. The decrease was primarily attributable to a decrease in bonuses associated with the decrease in net revenue.

Selling, general and administrative expenses in our television segment decreased to $16.6 million for the nine-month period ended September 30, 2008 from $17.2 million for the nine-month period ended September 30, 2007, a decrease of $0.6 million. The decrease was primarily attributable to a decrease in bonuses associated with the decrease in net revenue.

Radio

Net Revenue. Net revenue in our radio segment decreased to $23.5 million for the three-month period ended September 30, 2008 from $24.2 million for the three-month period ended September 30, 2007, a decrease of $0.7 million. The decrease was primarily attributable to a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

Net revenue in our radio segment decreased to $67.0 million for the nine-month period ended September 30, 2008 from $70.5 million for the nine-month period ended September 30, 2007, a decrease of $3.5 million. The decrease was primarily attributable to a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy. There has been a general slowing of growth in the radio industry over recent quarters, and we expect that this will continue.

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Direct Operating Expenses. Direct operating expenses in our radio segment increased to $9.2 million for the three-month period ended September 30, 2008 from $8.9 million for the three-month period ended September 30, 2007, an increase of $0.3 million. The increase was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue.

Direct operating expenses in our radio segment increased to $27.7 million for the nine-month period ended September 30, 2008 from $26.4 million for the nine-month period ended September 30, 2007, an increase of $1.3 million. The increase was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment increased to $5.9 million for the three-month period ended September 30, 2008 from $5.0 million for the three-month period ended September 30, 2007, an increase of $0.9 million. The increase was primarily attributable to an increase in third quarter expenses associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008.

Selling, general and administrative expenses in our radio segment increased to $16.4 million for the nine-month period ended September 30, 2008 from $16.2 million for the nine-month period ended September 30, 2007, an increase of $0.2 million. The increase was primarily attributable to an increase in wages and rent expense.

Liquidity and Capital Resources

While we have had 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 expect to fund anticipated cash requirements, including acquisitions, capital expenditures, payments of principal and interest on outstanding indebtedness, and repurchases of our Class A common stock, with cash on hand, cash flows from operations and externally generated funds, such as proceeds from any debt or equity offering and our syndicated bank credit facility. We currently anticipate that funds generated from operations and available borrowings under our syndicated bank credit facility will be sufficient to meet our anticipated cash requirements for the foreseeable future.

In May 2008, we sold our outdoor advertising operations to Lamar Advertising Co. for $101.5 million in cash. We believe that the net proceeds of the sale have improved our financial flexibility.

Syndicated Bank Credit Facility

In September 2005, we entered into our current $650 million senior secured syndicated bank credit facility, consisting of a 7 $^{1}/2$-year $500 million term loan and a 6 $^{1}/2$-year $150 million revolving facility. The term loan under our current syndicated bank credit facility was drawn in full at that time, the proceeds of which were used (i) to refinance $250 million outstanding under our former syndicated bank credit facility, (ii) to complete a tender offer for our previously outstanding $225 million senior subordinated notes, and (iii) for general corporate purposes.

The term loan matures in 2013 and is subject to automatic quarterly reductions of $1.25 million starting on January 1, 2012. The revolving facility expires in 2012. Our ability to make additional borrowings under the syndicated bank credit facility is subject to compliance with certain financial covenants, including financial ratios, and other conditions set forth in our syndicated bank credit facility.

Our syndicated bank credit facility is secured by substantially all of our assets, as well as the pledge of the stock of substantially all of our subsidiaries, including our special purpose subsidiary formed to hold our FCC licenses.

Our term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 5.38% at September 30, 2008. As of September 30, 2008, $470 million of our term loan was outstanding.

Our revolving facility bears interest at LIBOR plus a margin ranging from 1% to 2% based on our leverage. As of September 30, 2008, we had approximately $2 million in outstanding letters of credit and $148 million was available under our revolving facility for future borrowings. In addition, we pay a quarterly unused commitment fee ranging from 0.25% to 0.50% per annum, depending on the level of facility used.

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

Our syndicated bank credit facility contains a mandatory prepayment clause, triggered in the event that (i) the proceeds of certain asset dispositions are not utilized as provided under the syndicated bank credit facility within 18 months of such disposition; (ii) insurance or condemnation proceeds are not utilized as provided under the syndicated bank credit facility within 360 days following receipt thereof; or (iii) the proceeds from capital contributions or equity offerings are not utilized to acquire businesses or properties relating to radio and television advertising within 360 days following such capital contribution or equity offering. In addition, if we incur certain additional indebtedness, then 100% of such proceeds must be used to reduce our outstanding loan balance; and if we have excess cash flow, as defined in our syndicated bank credit facility, then 75% of such excess cash flow must be used to reduce our outstanding loan balance.

Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The covenants become increasingly restrictive in the later years of the syndicated bank credit facility. Our syndicated bank credit facility also requires us to maintain our FCC licenses for our broadcast properties and contains restrictions on the incurrence of additional debt, the payment of dividends, the making of acquisitions and the sale of assets over a certain limit.

We can draw on our revolving facility without prior approval for working capital needs and for acquisitions having an aggregate maximum consideration of $25 million or less. Proposed acquisitions are conditioned upon our delivery to the agent bank of a covenant compliance certificate showing pro forma calculations assuming such acquisition had been consummated and revised revenue projections for the acquired properties. For acquisitions having an aggregate maximum consideration in excess of $100 million, consent is required from lenders holding more than 50% of the loans and commitments under the syndicated bank credit facility.

Derivative Instruments

As of September 30, 2008, we had three interest rate swap agreements with a $316 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010, and a fourth interest rate swap agreement with a $154 million notional amount, with quarterly increases, that also expires on October 1, 2010. The three interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. The fourth interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. We expect that the term loan amount will not exceed the notional amount of the four interest rate swap agreements.

As of September 30, 2008 and 2007, these interest rate swap agreements were not designated for hedge accounting treatment and as a result, changes in their fair values are reflected currently in earnings. We recognized an increase of $0.4 million and $10.3 million in interest expense related to the decrease in the fair value of the interest rate swap agreements for the three-month periods ended September 30, 2008 and 2007, respectively. We recognized an increase of $3.6 million and $7.5 million in interest expense related to the decrease in the fair value of the interest rate swap agreements for the nine-month periods ended September 30, 2008 and 2007, respectively.

As of September 30, 2008, the fair value of the interest rate swap agreements was a liability of $15.2 million and is classified in other liabilities on our balance sheet. As of December 31, 2007, the fair value of the interest rate swap agreements was a liability of $11.6 million and is classified in other liabilities on our balance sheet.

Debt and Equity Financing

On May 9, 2002, we filed a shelf registration statement with the SEC to register up to $500 million of equity and debt securities, which we may offer from time to time. That shelf registration statement has been declared effective by the SEC. We have not yet issued any securities under the shelf registration statement. We intend to use the proceeds of any issuance of securities under the shelf registration statement to fund acquisitions or capital expenditures, to reduce or refinance debt or other obligations, and for general corporate purposes. Under SEC rules as currently in effect, the effectiveness of this shelf registration statement will expire on December 1, 2008. We have not yet decided if we will file a new shelf registration statement.

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On November 1, 2006, our Board of Directors approved a $100 million stock repurchase program. We completed this repurchase program in the second quarter of 2008.

On April 7, 2008, our Board of Directors approved an additional $100 million stock repurchase program. We are authorized to repurchase up to $100 million of our outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private repurchases. The extent and timing of any repurchases will depend on market conditions and other factors. We intend to finance future stock repurchases, if and when made, with available cash on hand and cash provided by operations.

Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) decreased to $60.2 million for the nine-month period ended September 30, 2008 from $69.5 million for the nine-month period ended September 30, 2007, a decrease of $9.3 million, or 13%. As a percentage of net revenue, consolidated adjusted EBITDA decreased to 34% for the nine-month period ended September 30, 2008 from 37% for the nine-month period ended September 30, 2007.

We expect consolidated adjusted EBITDA to decline in the fourth quarter of 2008 as we expect net revenue to decrease.

Consolidated adjusted EBITDA means operating income (loss) plus (gain) loss on sale of assets, depreciation and amortization, non-cash impairment loss, non-cash stock-based compensation included in operating and corporate expenses and syndication programming amortization less syndication programming payments. We use the term consolidated adjusted EBITDA because that measure is defined in our syndicated bank credit facility and does not include (gain) loss on sale of assets, depreciation and amortization, non-cash impairment loss, non-cash stock-based compensation, net interest expense, income tax expense (benefit), equity in net income (loss) of nonconsolidated affiliate, loss from discontinued operations and syndication programming amortization and does include syndication programming payments. The definition of operating income (loss), and thus consolidated adjusted EBITDA, excludes (gain) loss on sale of assets, depreciation and amortization, non-cash impairment loss, non-cash stock-based compensation, net interest expense, income tax expense (benefit), equity in net income (loss) of nonconsolidated affiliate, loss from discontinued operations and syndication programming amortization.

Since our ability to borrow from our syndicated bank credit facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The maximum net debt ratio, or the ratio of consolidated total debt minus cash, up to a maximum of $20 million, to consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. Under our syndicated bank credit facility, our maximum net debt ratio may not exceed 7.0 to 1 on a pro forma basis for the prior full four quarters. The actual maximum net debt ratios were as follows (in each case as of September 30): 2008, 5.5 to 1; 2007, 5.1 to 1. Therefore, we were in compliance with this covenant at each of those dates. The maximum net debt ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense.

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 of sales of assets, non-cash depreciation and amortization, non-cash impairment loss, non-cash stock-based compensation, net interest expense, income tax expense (benefit), equity in net income (loss) of nonconsolidated affiliate, loss from discontinued operations 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. We also use consolidated adjusted EBITDA, along with other factors, 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.

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Cash Flow

Net cash flow provided by operating activities decreased to $33.0 million for the nine-month period ended September 30, 2008 from $40.4 million for the nine-month period ended September 30, 2007. Cash flow provided by operating activities decreased primarily due to a decrease in net income and a decrease in cash flow from discontinued operations. We expect to continue to have positive cash flow from operating activities for the remainder of the 2008 fiscal year.

Net cash flow provided by investing activities was $64.8 million for the nine-month period ended September 30, 2008, compared to net cash flow used in investing activities of $14.7 million for the nine-month period ended September 30, 2007. During the nine-month period ended September 30, 2008, we received $101.5 million from the sale of our outdoor advertising business and spent $13.4 million on net capital expenditures and $22.9 million related to the acquisition of the assets of radio station WNUE-FM in Orlando, Florida. During the nine-month period ended September 30, 2007, we spent $13.5 million on net capital expenditures, including the purchase of a full-power television construction permit in Colorado Springs, Colorado. We anticipate that our capital expenditures will be approximately $16 million for the entire 2008 fiscal year.

Net cash flow used in financing activities was $67.2 million for the nine-month period ended September 30, 2008, compared to net cash flow used by financing activities of $40.5 million for the nine-month period ended September 30, 2007. During the nine-month period ended September 30, 2008, we repurchased 8.8 million shares of our Class A common stock under our stock repurchase programs for $46.5 million including transaction fees, repurchased 1.5 million shares of our Class U common stock from Univision for $10.4 million, made net debt payments of $11.0 million and received net proceeds of $0.8 million from the sale of shares under our 2001 Employee Stock Purchase Plan (the 2001 Plan). During the nine-month period ended September 30, 2007, we repurchased 5.1 million shares of our Class A common stock under our stock repurchase programs for $45.4 million including transaction fees, made debt payments of $2.4 million and received net proceeds of $6.8 million from the exercise of stock options and from the sale of shares issued under the 2001 Plan. Pursuant to a new stock repurchase program authorized by our Board of Directors on April 7, 2008, we plan to continue to repurchase our Class A common stock from time to time in future periods, depending upon market conditions and other factors, in open market transactions at prevailing market prices, block trades or private repurchases.

We anticipate that our maintenance capital expenditures will be approximately $10 million in 2008. In addition, our digital capital expenditures will be approximately $6 million. We anticipate paying for these capital expenditures by using net cash flow from operations and cash on hand.

As part of the transition from analog to digital television service, full-service television station owners are required, as a result of legislation that went into effect in early 2006, to discontinue broadcasting analog signals and to relinquish one of their paired analog-digital channels to the FCC on February 17, 2009. We currently expect the cost to complete construction of digital television facilities for our remaining full-service television stations, for which we have sought waivers from the FCC, will be approximately $2 million. In addition, we have elected to continue to broadcast separate digital and analog signals throughout this transition period. We intend to finance the conversion to digital television by using net cash flow from operations. Also, in order to broadcast high definition programming in the future, we intend to begin construction at our studio control facilities in 2009, and at our production control facilities in 2010. We currently expect that the cost of this high definition upgrade at our local studios will be approximately $7 million in 2009 and $7 million in 2010. We intend to finance the high definition upgrade by using net cash flow from operations and cash on hand.

The amount of our anticipated capital expenditures may change based on future changes in business plans, our financial condition and general economic conditions.

We continually review, and are currently reviewing, opportunities to acquire additional television and radio stations, as well as other broadcast or media opportunities targeting the Hispanic market in the United States. We expect to finance any future acquisitions through net cash flow from operations, borrowings under our syndicated bank credit facility and additional debt and equity financing. Any additional financing, if needed, might not be available to us on reasonable terms or at all. Any failure to raise capital when needed could seriously harm our business and our acquisition strategy. If additional funds are raised through the issuance of equity securities, the percentage of ownership of our existing stockholders will be reduced. Furthermore, these equity securities might have rights, preferences or privileges senior to those of our Class A common stock.

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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 variable rate debt. Under our syndicated bank credit facility, if we exceed certain leverage ratios we would be required to enter into derivative financial instrument transactions, such as swaps or interest rate caps, in order to manage or reduce our exposure to risk from changes in interest rates. Under no circumstances do we enter into derivatives or other financial instrument transactions for speculative purposes.

Interest Rates

Our term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 5.38% at September 30, 2008. As of September 30, 2008, $470 million of our term loan was outstanding. Our revolving facility bears interest at LIBOR plus a margin ranging from 1% to 2% based on our leverage. As of September 30, 2008, we had approximately $2 million in outstanding letters of credit and $148 million was available under the revolving facility for future borrowings. Our syndicated bank credit facility requires us to enter into interest rate agreements if our leverage exceeds certain limits as defined in our credit agreement.

As of September 30, 2008, we had three interest rate swap agreements with a $316 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010, and one interest rate swap agreement with a $154 million notional amount, with quarterly increases, that also expires on October 1, 2010. The three interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. The fourth interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. It is expected that the term loan amounts will not exceed the notional amount of the four interest rate swap agreements.

We recognize all of our derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. As of September 30, 2008, our interest rate swap agreements were not designated for hedge accounting treatment, and as a result, their fair value is classified as other liabilities on our balance sheet. Changes in fair value are reflected in interest expense on our statements of operations. We recognized an increase of $0.4 million and $10.3 million in interest expense related to the decrease in fair value of the interest rate swap agreements for the three-month periods ended September 30, 2008 and 2007, respectively. We recognized an increase of $3.6 million and $7.5 million in interest expense related to the decrease in fair value of the interest rate swap agreements for the nine-month periods ended September 30, 2008 and 2007, respectively. At September 30, 2008, the fair value of the interest rate swap agreements was a liability of $15.2 million and is classified as other liabilities on the balance sheet.

We converted our variable rate term loan into a fixed rate obligation at September 30, 2005. We currently anticipate that the aggregate notional amount of our interest rate swap agreements will equal our loan amount outstanding. Since we converted our variable rate term loan into a fixed rate obligation through October 1, 2010, an increase in the variable interest rate or our bank credit facility would not currently affect interest expense payments. If the future interest yield curve decreases, the fair value of the interest rate swap agreements will decrease and interest expense will increase. If the future interest yield curve increases, the fair value of the interest rate swap agreements will increase and interest expense will decrease.

ITEM 4. CONTROLS AND PROCEDURES

We carried out 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 report. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in making known to them in a timely manner material information relating to us (including our consolidated subsidiaries) that is required to be included in our periodic SEC reports.

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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 was no change in our internal control over financial reporting that occurred during the period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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.

ITEM 1A. RISK FACTORS

The following updates the corresponding risk factor included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007:

We have a significant amount of goodwill and other intangible assets and we may never realize the full value of our intangible assets.

Goodwill and intangible assets totaled $981 million and $538 million at December 31, 2007 and September 30, 2008, respectively, primarily attributable to acquisitions in recent years. At the date of these acquisitions, the fair value of the acquired goodwill and intangible assets equaled its book value. At least annually, we test our goodwill and indefinite lived intangible assets for impairment. Impairment may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in applicable laws and regulations, including changes that restrict the activities of or affect the products or services sold by our businesses and a variety of other factors. In 2007, we determined that our outdoor reporting unit carrying value exceeded its fair value less costs to sell for which we recognized an impairment charge of $79.5 million. In the third quarter of 2008, we determined that our radio reporting unit carrying value exceeded its fair value and we recognized a goodwill impairment charge of $54 million. At that time, we also determined that the carrying values of certain radio and television FCC licenses exceeded their fair values and we recognized impairment charges of $332 million and $54 million, respectively. Appraisals of any of our reporting units or changes in estimates of our future cash flows could affect our impairment analysis in future periods and cause us to record either an additional expense for impairment of assets previously determined to be impaired or record an expense for impairment of other assets. Depending on future circumstances, we may never realize the full value of our intangible assets. Any determination of impairment of our goodwill or other intangibles could have an adverse effect on our financial condition and results of operations.

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

Issuer Purchases of Equity Securities

On November 1, 2006, our Board of Directors approved a stock repurchase program. We have repurchased a total of 13.0 million shares of our Class A common stock for $100 million and this stock repurchase plan was completed in April 2008.

On April 7, 2008, our Board of Directors approved the repurchase of an additional $100 million of our common stock. We are authorized to repurchase up to $100 million of our outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private repurchases. The extent and timing of any repurchases depended on market conditions and other factors. We purchased 4.2 million shares of Class A common stock for approximately $15.6 million under this stock repurchase plan from the inception through September 30, 2008.

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For the three-month period ended September 30, 2008, we repurchased approximately 3.1 million shares of Class A common stock at an average price of $3.29 for an aggregate purchase price of approximately $10.1 million, all of which repurchases were made pursuant to the publicly announced program, as follows (unaudited):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program (in thousands)
July 1, 2008 to July 31, 2008	974,500	$ 3.46	974,500	$ 91,120
August 1, 2008 to August 30, 2008	1,148,993	3.27	1,148,993	87,359
September 1, 2008 to September 30, 2008	953,300	3.13	953,300	84,372
Total	3,076,793	$ 3.29	3,076,793	$ 84,372

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are attached hereto and filed herewith:

31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.

31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.

32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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SIGNATURES

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

ENTRAVISION COMMUNICATIONS CORPORATION

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

Executive Vice President, Treasurer

and Chief Financial Officer

Date: November 10, 2008

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EXHIBIT INDEX

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