

ENTRAVISION COMMUNICATIONS CORP  
Form 10-K  
March 09, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTIONS 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2015

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      (I.R.S. Employer  
incorporation or organization)      Identification No.)  
2425 Olympic Boulevard, Suite 6000 West

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Santa Monica, California 90404

(Address of principal executive offices, including zip code)

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Class A Common Stock	The New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act:

None

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Large accelerated filer  Accelerated filer

Non-accelerated filer  Smaller reporting company

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

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The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2015 was approximately \$598,833,367 (based upon the closing price for shares of the registrant's Class A common stock as reported by The New York Stock Exchange for the last trading date prior to that date).

As of March 4, 2016, there were 64,630,021 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 14,927,613 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.

Portions of the registrant's Proxy Statement for the 2016 Annual Meeting of Stockholders scheduled to be held on May 26, 2016 are incorporated by a reference in Part III hereof.

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ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2015

TABLE OF CONTENTS

	Page
PART I	
ITEM 1. <u>BUSINESS</u>	4
ITEM	
1A. <u>RISK FACTORS</u>	28
ITEM	
1B. <u>UNRESOLVED STAFF COMMENTS</u>	36
ITEM 2. <u>PROPERTIES</u>	36
ITEM 3. <u>LEGAL PROCEEDINGS</u>	36
ITEM 4. <u>MINE SAFETY DISCLOSURES</u>	36
<u>PART II</u>	
ITEM 5. <u>MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES</u>	37
ITEM 6. <u>SELECTED FINANCIAL DATA</u>	40
ITEM 7. <u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	41
ITEM	
7A. <u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	60
ITEM 8. <u>FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA</u>	61
ITEM 9. <u>CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE</u>	61
ITEM	
9A. <u>CONTROLS AND PROCEDURES</u>	61
ITEM	
9B. <u>OTHER INFORMATION</u>	64
<u>PART III</u>	

ITEM		
10.	<u>DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE</u>	65
ITEM		
11.	<u>EXECUTIVE COMPENSATION</u>	65
ITEM		
12.	<u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS</u>	65
ITEM		
13.	<u>CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE</u>	65
ITEM		
14.	<u>PRINCIPAL ACCOUNTING FEES AND SERVICES</u>	65
	<u>PART IV</u>	
ITEM		
15.	<u>EXHIBITS AND FINANCIAL STATEMENT SCHEDULES</u>	66
	<u>SIGNATURES</u>	69
	<u>POWER OF ATTORNEY</u>	69

## FORWARD-LOOKING STATEMENTS

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

Forward-looking statements may include the words “may,” “could,” “will,” “estimate,” “intend,” “continue,” “believe,” “expect,” “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 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;
- rapid changes in digital media advertising;
- 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 and the integration of any acquired assets with our existing operations;
- 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, including the Affordable Care Act, the rules and regulations promulgated thereunder and any executive action with respect thereto.

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 “Risk Factors,” beginning at page 28 below.

## ITEM 1. BUSINESS

The discussion of the business of Entravision Communications Corporation and its wholly-owned subsidiaries, or Entravision or the Company, is as of the date of filing this report, unless otherwise indicated.

### Overview

#### Introduction

Entravision is a leading media company that reaches and engages Hispanics in the United States and certain border markets of Mexico across media channels and advertising platforms. Our expansive portfolio encompasses integrated marketing and media solutions, comprised of television, radio and digital properties and data analytics services. For financial reporting purposes, we report in three segments based upon the type of advertising medium: television broadcasting, radio broadcasting and digital media.

We own and/or operate 56 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C. Our television operations comprise the largest affiliate group of both the top-ranked Univision television network and Univision's UniMás network, with television stations in 20 of the nation's top 50 U.S. Hispanic markets. Univision's primary network is the most watched television network (English- or Spanish-language) among U.S. Hispanic households during primetime. Univision is a key source of programming for our television broadcasting business and we consider it to be a valuable strategic partner of ours. For a more complete discussion of our relationship with Univision, please see "Our Relationship with Univision" and "Television – Television Programming" below and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview"; and for a discussion of various risks related to our relationship with Univision, please see "Risk Factors."

We own and operate one of the largest groups of primarily Spanish-language radio stations in the United States. We own and operate 49 radio stations in 18 U.S. markets. Our radio stations consist of 38 FM and 11 AM stations located in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas. We also own and operate a national sales representation firm, Entravision Solutions, through which we sell advertisements and syndicate radio programming to approximately 350 stations across the United States.

We provide digital advertising solutions that allow advertisers to reach online Hispanic audiences in the United States and Mexico. We operate a proprietary technology and data platform that delivers digital advertising in various advertising formats to allow advertisers to reach Hispanic audiences across a wide range of Internet-connected devices on our owned and operated digital media sites, the digital media sites of our publisher partners, or owners of Internet and mobile sites that contain premium digital content and digital advertising inventory who provide us with access to their digital advertising inventory, and on other digital media sites we access through third-party platforms and exchanges.

We generate revenue primarily from sales of national and local advertising time on television stations, radio stations and digital media platforms, and from retransmission consent agreements that are entered into with Multichannel Video Programming Distributors, or MVPDs. 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 and when display or other digital advertisements record impressions on the websites of our third party publishers. 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 our industry and are due primarily to variations in advertising expenditures by both local and national advertisers. Our first fiscal quarter generally produces the lowest net revenue for the year. In addition, advertising revenue is generally higher during presidential election years (2016, 2020, etc.) resulting from significant political advertising and, to a lesser degree, Congressional off-year elections (2018, 2022, etc.), resulting from increased

political advertising, compared to other years.

We refer to the revenue generated by agreements with MVPDs 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.

We also generate revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. Revenue from such agreements is recognized when we have relinquished all rights to operate the station on the existing channel free from interference to the telecommunications operators.

Our net revenue for the year ended December 31, 2015 was approximately \$254.1 million. Of this amount, revenue generated by our television segment accounted for approximately 63%, revenue generated by our radio segment accounted for approximately 30%, and revenue generated by our digital media segment accounted for approximately 7% of the total.



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 functions. Our local programming costs for television consist primarily of costs related to producing a local newscast in most of our markets. In addition, cost of revenue related to our digital media segment consists primarily of the costs of online media acquired from third-party publishers.

Our principal executive offices are located at 2425 Olympic Boulevard, Suite 6000 West, Santa Monica, California 90404, and our telephone number is (310) 447-3870. Our corporate website is [www.entravision.com](http://www.entravision.com).

We were organized as a Delaware limited liability company in January 1996 to combine the operations of our predecessor entities. On August 2, 2000, we completed a reorganization from a limited liability company to a Delaware corporation. On August 2, 2000, we also completed an initial public offering of our Class A common stock, which is listed on The New York Stock Exchange under the trading symbol "EVC."

### Business Strategy

Our strategy is to reach Hispanic audiences primarily in the United States and certain border markets of Mexico. We own and/or operate media properties in 14 of the 20 highest-density U.S. Hispanic markets. In addition, among the top 25 U.S. Hispanic markets, we own and/or operate media properties in 10 of the 15 fastest-growing markets. We believe that targeting the U.S. Hispanic market will translate into revenue growth in the future, including for the following reasons:

- U.S. Hispanic Population Growth. Our audience consists primarily of Hispanics, one of the fastest-growing segments of the U.S. population and, by current U.S. Census Bureau estimates, now the largest minority group in the United States. More than 55 million Hispanics live in the United States, accounting for over 17% of the total U.S. population. The overall Hispanic population is growing at eight times the rate of the non-Hispanic population and is expected to grow to 84 million, or approximately 22% of the total U.S. population, by 2032. Approximately 50% of the total future growth in the U.S. population through 2032 is expected to come from the Hispanic community.
- Spanish-Language Use. Approximately 75% of Hispanics age five and over in the United States speak some Spanish at home. The number of U.S. Hispanics that speak some Spanish at home is expected to grow from 34.3 million in 2010 to 56.6 million in 2030.
- Increasing U.S. Hispanic Buying Power. The U.S. Hispanic population is estimated to have accounted for total consumer expenditures of over \$911 billion in 2012, the most recent year for which such information is available. Hispanics are expected to account for over \$1 trillion in consumer expenditures by 2017, and by 2027 Hispanics are expected to account for approximately \$2 trillion in consumer expenditures, or 14% of total U.S. consumer spending. Hispanic buying power is expected to grow at nearly three times the rate of the Hispanic household population growth by 2032.
- Attractive Profile of U.S. Hispanic Consumers. We believe that the demographic profile of the U.S. Hispanic audience makes it attractive to advertisers. We also believe that the larger average size and younger median age of Hispanic households (averaging 3.4 persons and 30.2 years of age as compared to the U.S. non-Hispanic averages of 2.4 persons and 42.9 years of age) lead Hispanics to spend more per household on many categories of goods and services. Although the average U.S. Hispanic household has less disposable income than the average U.S. household, the average U.S. Hispanic household spends 5% more per year than the average U.S. non-Hispanic household on food at home, 17% more on quick service restaurants, 66% more on children's clothing, 42% more on footwear, 34% more on laundry and household cleaning products and 21% more on mobile telephones. We expect Hispanics to continue to account for a disproportionate share of growth in spending nationwide in many important consumer categories as the U.S. Hispanic population and its disposable income continue to grow.
- Spanish-Language Advertising. Over \$9.4 billion of total advertising expenditures in the United States were placed with Spanish-language media in 2014, the most recent year for which such data is available, of which approximately 80% was placed with Spanish-language television and radio advertising.

We seek to increase our revenue through the following strategies:

Develop Unique and Compelling Content and Strong Brands While Effectively Using the Brands of Our Network Affiliates. We make substantial investments in areas such as market research, data analysis and creative talent to license and create content for our television, radio and digital properties that is relevant and has a meaningful impact on the communities we serve.

Our television operations comprise the largest affiliate group of both the top-ranked Univision primary television network and Univision's UniMás network. According to Univision, its primary network beat one or more of the English-language broadcast networks – ABC, CBS, NBC or Fox – in primetime 89% of the time during third quarter 2015 among adults 18-34 years of age, and 79% of the time among adults 18-49 years of age. In addition, during this same time period, Univision reports that the UniMás network attracted more viewers in most key dayparts and demographic groups than the combined audiences of Azteca America,

Estrella TV, and MundoMax. Univision's primary network, together with its UniMás network, represented approximately a 58% share of the U.S. Spanish-language network television prime time audience of persons 2+ years of age as of May 2015. Univision makes its networks' Spanish-language programming available to our television stations 24 hours a day, seven days a week, including a prime time schedule on its primary network of substantially all first-run programming throughout the year. We believe that the breadth and diversity of Univision's programming, combined with our local news and community-oriented segments, provide us with an advantage over other Spanish-language and English-language media in reaching U.S. Hispanic viewers. Our local content is designed to meet the needs of our communities and brand each of our stations as the best source for relevant community information that accurately reflects local interests and needs.

We format the programming of our radio networks and radio stations in an effort to capture a substantial share of the U.S. Hispanic audience in each of our radio markets. We operate each of our three radio networks using a format designed to appeal to different listener tastes. In markets where competing stations already offer programming similar to our network formats, or where we otherwise identify an available niche in the marketplace, we run alternative programming that we believe will appeal to local listeners.

**Develop Local Content, Programming and Community Involvement.** We believe that local content and service to the community in each of our markets is an important part of building our brand identity and providing meaningful local service within those markets. By combining our local news, local content and quality network programming, we believe that we have a significant competitive advantage. We also believe that our active community involvement, including station remote broadcasting appearances at client events, concerts and tie-ins to major events, helps to build company and station awareness and identity as well as viewer and listener loyalty. We also promote civic involvement and inform our listeners and viewers of significant developments affecting their communities.

**Distribute News and Other Content Across Our Television, Radio and Digital Properties.** We develop our own news, entertainment and lifestyle content and radio shows including "Erazno y La Chokolata", and produce a Sunday morning political talk show, "Perspectiva Nacional". We also employ our own White House correspondent in Washington, D.C. We distribute this content across our television, radio and digital properties. In addition, through Entravision Solutions, one of our divisions, we syndicate certain of our radio shows including "Erazno y La Chokolata" and other programs including "El Show de Piolin" and "El Show de Alex 'El Genio' Lucas" across a network of approximately 350 radio stations, which includes our radio stations as well as other radio stations that we do not own or operate, in 105 markets throughout the United States.

**Extend the Reach and Accessibility of Our Brands Through Digital Platforms.** In recent years, we have also enhanced the distribution of our content through digital platforms, such as the Internet and mobile phones. We believe these digital platforms offer excellent opportunities to further enhance the relationships we have with our audiences by allowing them to engage and share our content in new ways and providing us with new distribution channels for one-to-one communication with them.

**Continuing to Offer Advertisers an Integrated Platform of Services.** We believe that our uniquely diversified media portfolio provides us with a competitive advantage in targeting the Hispanic consumer. We offer advertisers the opportunity to reach potential customers through an integrated platform of services that includes television, radio and digital properties. Currently, we operate some combination of television and radio in 11 markets, which we sometimes refer to as combination markets, and, where possible, we also combine our television and radio operations to create synergies and achieve cost savings. In all of our markets, our digital offerings supplement our television and/or radio operations in an effort to create value-added advertising opportunities for our advertisers.

**Continuing to Innovate and Invest in Technology and Data.** We intend to continue to make investments in our digital media platforms, sales tools and research and development to further increase the efficiency and effectiveness of our television, radio and digital media advertising platforms.

Target Strategic Acquisitions and Investments. We plan to continue to evaluate opportunities to acquire complementary businesses and technologies that are consistent with our overall growth strategy. We believe that our knowledge of, and experience with, the U.S. Hispanic marketplace will enable us to identify acquisitions of television, radio and digital properties. Since our inception, we have used our management expertise, programming, local involvement and brand identity to improve our acquired media properties and audience reach. However, we are currently subject to certain limitations on acquisitions under the terms of the 2013 Credit Agreement. Please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources” below.

#### Acquisition and Disposition Strategies

Historically, our acquisition strategy has been focused on increasing our presence in those markets in which we already compete, as well as expanding our operations into U.S. Hispanic markets where we do not own properties. We have targeted fast-growing and high-density U.S. Hispanic markets. These have included many markets in the southwestern United States, including

Texas, California and various other markets along the United States/Mexican border. In addition, we have pursued other acquisition opportunities in key strategic markets, or those which otherwise supported our long-term growth plans.

One of our goals has been to create and grow our combination markets, featuring both Univision and UniMás television stations, together with a strong radio presence and digital properties. We believe that these combination markets provide unique cross-selling and cross-promotional opportunities, making us an attractive option for advertisers wishing to reach the U.S. Hispanic consumer. Accordingly, in addition to targeting media properties in U.S. Hispanic markets where we do not own media properties, we have focused on potential acquisitions of additional media properties in our existing markets that will enhance our offerings to the U.S. Hispanic marketplace. In addition, we plan to continue to evaluate opportunities to acquire complementary businesses and technologies that are consistent with our overall growth strategy.

We are subject to certain limitations on acquisitions under the terms of the 2013 Credit Agreement. We cannot at this time determine the effect that these limitations will have on our acquisition strategy or our overall business. Please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”.

In addition, we periodically review our portfolio of media properties and, from time to time, have divested non-core assets where we do not see the opportunity to grow to scale and build out combination markets. We are subject to certain limitations on divestitures under the terms of the 2013 Credit Agreement. We cannot at this time determine the effect that these limitations will have on our disposition strategy or our overall business. Please see “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Liquidity and Capital Resources”.

#### Our Relationship with Univision

Substantially all 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 expire in 2021, and can be renewed for multiple, successive two-year terms at Univision’s option, subject to our consent. Under our Univision network affiliation agreement, we retain the right to sell approximately six minutes per hour of the available advertising time on Univision’s primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under our UniMás network affiliation agreement, we retain the right to sell approximately four and a half minutes per hour of the available advertising time on the UniMás network, subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as our exclusive third-party 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.

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

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and we have extended through March 31, 2016. 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. During the years ended

December 31, 2015 and 2014, retransmission consent revenue accounted for approximately \$27.9 million and \$26.4 million, respectively. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

Univision currently owns approximately 10% of our common stock on a fully-converted basis. Our Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. As the holder of all of our issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, we may not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate our company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of our Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of 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.

## Television

### Overview

We own and/or operate Univision-affiliated television stations in 24 markets, including 20 of the top 50 Hispanic markets in the United States. Our television operations comprise the largest affiliate group of both the top-ranked Univision primary television network and Univision's UniMás network. Univision's primary network is the leading Spanish-language network in the United States, reaching approximately 97% of all U.S. Hispanic households, and is the most watched television network (English- or Spanish-language) among U.S. Hispanic households during prime time. Univision's primary network, together with its UniMás network, represent approximately a 58% share of the U.S. Spanish-language network television prime time audience of persons 2+ years of age as of May 2015. We operate both Univision and UniMás affiliates in 20 of our 24 television markets. Univision's networks make their Spanish-language programming available to our Univision-affiliated stations 24 hours a day, seven days a week. Univision's prime time schedule on its primary network consists of substantially all first-run programming throughout the year.

### Television Programming

**Univision Primary Network Programming.** Univision directs its programming primarily toward a young, family-oriented audience. It begins daily with *Despierta America*, a drama show and another talk show, Monday through Friday, followed by novelas. In the late afternoon and early evening, Univision offers an entertainment magazine, a news magazine and national news, in addition to local news produced by our television stations. During prime time, Univision airs novelas, as well as specials. Prime time is followed by late news. Overnight programming consists primarily of repeats of programming aired previously on the network. Weekend daytime programming begins with children's programming, and is generally followed by sports, reality, comedy shows and movies.

Approximately eight to ten hours of programming per weekday, including a substantial portion of weekday prime time, are currently programmed with novelas supplied primarily by Grupo Televisa, S.A. de C.V., or Televisa, and Corporacion Venezolana de Television, C.A., or Venevision. Although novelas have been compared to daytime soap operas on ABC, NBC or CBS, the differences are significant. Novelas, originally developed as serialized books, have a beginning, middle and end, generally run five days per week and conclude four to eight months after they begin. Novelas also have a much broader audience appeal than soap operas, delivering audiences that contain large numbers of men, children and teens, in addition to women, unlike soap operas, whose audiences are primarily women.

**UniMás Network Programming.** Univision's other 24-hour general-interest Spanish-language broadcast network, UniMás, is programmed to meet the diverse preferences of the multi-faceted U.S. Hispanic community. UniMás's programming includes sports (including boxing, soccer and a nightly wrap-up at 11 p.m. similar to ESPN's programming), movies (including a mix of English-language movies translated into Spanish) and novelas not run on Univision's primary network, as well as reruns of popular novelas broadcast on Univision's primary network.

**Our Local Programming.** We believe that our local news brands our stations in our television markets. We shape our local news to relate to and inform our audiences. In 12 of our television markets, our early local news is ranked first or second among competing local newscasts regardless of language in its designated time slot among adults 18-49 years of age. We have made substantial investments in people and equipment in order to provide our local communities with quality newscasts. Our local newscasts have won numerous awards, and we strive to be the most important community voice in each of our local markets. In several of our markets, we believe that our local news is the only significant source of Spanish-language daily news for the Hispanic community.

**Network Affiliation Agreements.** Substantially all of our television stations are Univision- or UniMás-affiliated television stations. Our network affiliation agreements with Univision provide certain of our owned stations the exclusive right to broadcast Univision's primary network and 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 our consent. Under our Univision network affiliation agreement, we retain the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under our UniMás network affiliation agreement, we retain the right to sell approximately four and a half minutes per hour of the available advertising time on the UniMás network, subject to adjustment from time to time by Univision.

XHAS-TV broadcasts Telemundo Network Group LLC, or Telemundo, network programming serving the Tijuana/San Diego market pursuant to a network affiliation agreement. Our current network affiliation agreement with Telemundo gives us the right to provide Telemundo network programming on XHAS-TV through June 2017. The affiliation agreement grants Telemundo a right of first refusal in the event a third party makes an offer to purchase XHAS-TV, and a right to purchase XHAS-TV upon a change of control of our company.



Our network affiliation agreement with Fox Broadcasting Company, or Fox, gives us the right to broadcast Fox network programming on KFXV-LD, serving the Matamoros/Harlingen-Weslaco-Brownsville-McAllen market, and KXOF-CA, serving the Laredo market, through December 31, 2017. The network affiliation agreement may be extended for successive one-year terms at Fox's option, subject to our consent.

Our network affiliation agreements with Mundo TV LLC, or MundoMax, gives us the right to broadcast MundoMax network programming on XHRIO-TV, serving the Matamoros/Harlingen-Weslaco-Brownsville-McAllen market, and on XDTV-TV, serving the Tecate/San Diego market, through July 31, 2018, and on the secondary program stream of KXOF-CD, serving the Laredo market, the secondary program stream of KTFN-TV, serving the El Paso market, and the secondary program stream of KVYE-TV, serving the Yuma-El Centro market through July 31, 2016.

We also have an agreement with Master Distribution Service, Inc., an affiliate of Fox, which gives us the right to provide ten hours per week of MyNetworkTV programming on KFXV-LD, KXOF-CD and on the secondary program stream of XDTV-TV, serving the Tecate/San Diego market. This agreement expires in October 2016 and may be extended for successive one-year periods by mutual consent of the parties.

Our network affiliation agreement with The CW Network, LLC, or CW, gives us the right to broadcast CW network programming on KCWT-CD and on the secondary program stream of KNVO-TV serving the Harlingen-Weslaco-Brownsville-McAllen market, and on KRNS-CD and on the secondary program stream of KREN-TV, serving the Reno, Nevada market, through 2018.

Our network affiliation agreement with LATV Networks, LLC, or LATV, gives us the right to broadcast LATV network programming on the digital streams of certain of our television stations. Either party may terminate the affiliation with respect to a given station 30 months after the launch of such station. For a more complete discussion of this agreement, please see Note 14 to Notes to Consolidated Financial Statements.

We cannot guarantee that any of our current network affiliation agreements will be renewed beyond their respective expiration dates under their current terms, under terms satisfactory to us, or at all.

**Marketing Agreements.** Our marketing and sales agreement with Univision gives us the right through 2021 to manage the marketing and sales operations of Univision-owned UniMás and Univision affiliates in six markets – Albuquerque, Boston, Denver, Orlando, Tampa and Washington, D.C. We have also entered into marketing and sales agreements with other parties in certain of our other markets.

**Long-Term Time Brokerage Agreements.** We operate each of XDTV-TV, serving the Tecate/San Diego market; XHAS-TV, serving the Tijuana/San Diego market; and XHRIO-TV, serving the Matamoros/Harlingen-Weslaco-Brownsville-McAllen market, under long-term time brokerage agreements. Under those agreements, in combination with certain of our Mexican affiliates and subsidiaries, we provide the programming and related services available on these stations, but the stations retain absolute control of the content and other broadcast issues. These long-term time brokerage agreements expire in 2038, 2040 and 2045, respectively, and each provides for automatic, perpetual 30-year renewals unless both parties consent to termination. Each of these agreements provides for substantial financial penalties should the other party attempt to terminate prior to its expiration without our consent, and they do not limit the availability of specific performance as a remedy for any such attempted early termination.

Our Television Station Portfolio

The following table lists information concerning each of our owned and/or operated television stations in order of market rank and its respective market:

Market	Market Rank (by Hispanic Households)	Total Households	Hispanic Households	% Hispanic Households	Call Letters	Principal Programming Stream
Harlingen-Weslaco-Brownsville-McAllen, Texas	10	363,410	316,640	87.1 %	KNVO-TV KTFV-CD (1) KFXV-LD KXFX-CD (1) KCWT-CD (1)	Univision UniMás Fox Fox CW
San Diego, California	12	1,055,030	263,390	25.0 %	KBNT-CD (1) KHAX-LP KDTF-LD KZTC-LP (2) KTCD-LP	Univision Univision UniMás MyNetworkTV LATV
Orlando-Daytona Beach-Melbourne, Florida	14	1,489,710	257,140	17.3 %	WVEN-TV W47DA WVCI-LP WOTF-TV (3)	Univision Univision Univision UniMás
Albuquerque-Santa Fe, New Mexico	15	662,570	257,080	38.8 %	KLUZ-TV KTFQ-TV (3) KTFA-LP	Univision UniMás Home Shopping Network
Denver-Boulder, Colorado	17	1,576,090	242,680	15.4 %	KCEC-TV KTFD-TV (3) KDVT-LP	Univision UniMás LATV
Washington, D.C. (Hagerstown, Maryland)	18	2,443,640	241,770	9.9 %	WFDC-TV (3) WMDO-CD (1)	Univision UniMás

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						WJAL-TV	English- Language
El Paso, Texas	19	332,920	239,750	72.0 %		KINT-TV	Univision
						KTFN-TV	UniMás
Tampa-St. Petersburg (Sarasota), Florida	20	1,859,820	234,260	12.6 %		WVEA-TV WFTT-TV (3)	Univision UniMás
Boston, Massachusetts	21	2,411,250	182,290	7.6 %		WUNI-TV	Univision
						WUTF-TV (3)	UniMás
Las Vegas, Nevada	24	736,700	164,990	22.4 %		KINC-TV	Univision
						KNTL-LP	Univision
						KWWB-LP	Univision
						KELV-LD	UniMás
Corpus Christi, Texas	27	205,900	116,420	56.5 %		KORO-TV KCRP-CD (1)	Univision UniMás
Hartford-New Haven, Connecticut	29	945,250	106,000	11.2 %		WUVN-TV WUTH-CD (1)	Univision UniMás
Monterey-Salinas-Santa Cruz, California	34	221,910	78,840	35.5 %		KSMS-TV KDJT-CD (1)	Univision UniMás
						KCBA-TV (3)	Fox
Odessa-Midland, Texas	37	156,650	70,810	45.2 %		KUPB-TV	Univision
Laredo, Texas	38	72,480	68,430	94.4 %		KLDO-TV KETF-CD (1)	Univision UniMás
						KXOF-CD (1)	UniMás
Yuma, Arizona-El Centro, California	39	109,180	67,870	62.2 %		KVYE-TV	Fox Univision
						KAJB-TV (3)	UniMás
Colorado Springs-Pueblo, Colorado	42	346,120	61,630	17.8 %		KVSN-TV	Univision UniMás
						KGHB-CD (1)	UniMás

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Market	Market Rank				Call Letters	Principal Programming Stream
	(by Hispanic Households)	Total Households	Hispanic Households	% Hispanic Households		
Santa Barbara-Santa Maria- San Luis Obispo, California	45	228,480	57,850	25.3 %	KPMR-TV	Univision
					K17GD-D (1)	Univision
					K50LZ-D (1)	Univision
					KTSB-CD (1)	UniMás
					K10OG-D (1)	UniMás
Palm Springs, California	48	155,430	55,540	35.7 %	KVER-CD (1)	Univision
					KVES-LD	Univision
					KEVC-CD (1)	UniMás
Lubbock, Texas	50	157,760	54,260	34.4 %	KBZO-LD	Univision
Wichita-Hutchinson, Kansas	54	439,330	44,640	10.2 %	KDCU-TV (4)	Univision
Reno, Nevada	59	266,530	40,400	15.2 %	KREN-TV	Univision
					KRNS-CD (1)	CW
Springfield-Holyoke, Massachusetts	64	246,500	36,080	14.6 %	WHTX-LD	Univision
San Angelo, Texas	91	55,400	18,320	33.1 %	KEUS-LD (1)	Univision
					KANG-LP	UniMás
Tecate, Baja California, Mexico (San Diego)	—	—	—	—	XDTV-TV (5)	MundoMax
Tijuana, Baja California, Mexico (San Diego)	—	—	—	—	XHAS-TV (5)	Telemundo
Matamoros, Tamaulipas, Mexico (Harlingen-Weslaco-Brownsville-McAllen)	—	—	—	—	XHRIO-TV (5)	MundoMax

Source: Nielsen Media Research 2016 universe estimates.

- (1) “CD” in call signs indicates station is under Class A television service. Certain stations without this designation are also Class A stations.
- (2) We provide programming broadcast on the station through an agreement with the station owner.
- (3) We provide the sales and marketing function of this station under a marketing and sales arrangement.
- (4) We share operating services with another broadcast station in the same market under a shared services arrangement.
- (5) We hold a minority, limited voting interest (neutral investment) in the entity that directly or indirectly holds the broadcast license for this station. Through that entity, we provide the programming and related services available on this station under a time brokerage arrangement. The station retains control of the contents and other broadcast issues.

Digital Television Technology. As we continue to develop our digital television transmission technology for our television stations, we are operating in an environment where we can decide the resolution and number of broadcast streams we provide in our over-the-air transmissions. Depending upon how high a resolution level with which we elect to transmit our programming, we have the potential to transmit over-the-air broadcast streams containing multiple program streams using the bandwidth authorized to each digital station. The transmission of such multiple

programming streams is referred to as multicasting. We currently are multicasting network programming streams, primarily UniMás network programming and LATV network programming streams, at a number of our stations, along with our primary program streams. In addition, we are multicasting CW, MundoMax, MyNetworkTV and other network programming in certain of our markets. We periodically evaluate these multicasting operations as well as the amount of bandwidth we must allocate to our primary program streams and may consider either expanding or limiting our multicasting operations, or keeping these multicasting operations substantially as at present, in the future.

#### Television Advertising

Approximately 76% of the revenue generated from our television operations in 2015 was derived from local and national advertising.

**Local.** Local advertising revenue is generated predominantly from advertising time sold to an advertiser or its agency that is placed from within a station's market or directly with a station's sales staff. Local advertising sales include sales to advertisers that are local businesses or advertising agencies, and regional and national businesses or advertising agencies, which place orders from within a station's market or directly with a station's sales staff. We employ our own local sales force that is responsible for soliciting local advertising sales directly from advertisers and their agencies. In 2015, local advertising accounted for approximately 44% of our total television revenue.

**National.** National advertising revenue generally represents revenue from advertising time sold to an advertiser or its agency that is placed from outside a station's market. We typically engage national sales representative firms to work with our station sales managers and solicit national advertising sales, and we pay certain sales representation fees to these firms relating to national advertising sales. Under our network affiliation agreements with Univision, Univision acts as our sales representative for the sale of

national advertising on our Univision and UniMás affiliate television stations, and advertisers which have purchased national advertising on these affiliate stations include Cox Communications, Inc., Nissan Motor Co., Ltd., McDonald's Corporation, Ford Motor Company, H-E-B, Conn's, Inc., Jack in the Box Inc., Toyota Motor Corporation and General Motors Company. Telemundo acts as our national sales representative for the sale of national advertising on our Telemundo affiliate station, and Entravision Solutions, one of our divisions, acts as our national sales representative for the sale of national advertising on our stations that broadcast Fox, CW and MyNetworkTV network programming. In 2015, national advertising accounted for approximately 32% of our total television revenue.

**Retransmission Consent Revenue.** We generate retransmission consent revenue from retransmission consent agreements that are entered into with MVPDs. This revenue represents payments from these entities for access to our television station signals so that they may rebroadcast our signals and charge their subscribers for this programming. In addition, we generally pay either a per subscriber fee or a share of the retransmission consent revenue received from MVPDs to the related networks, which we refer to as reverse network compensation.

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, which Univision and we have extended through March 31, 2016. 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. During the years ended December 31, 2015 and 2014, retransmission consent revenue accounted for approximately \$27.9 million and \$26.4 million, respectively. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

In 2015, retransmission consent revenue accounted for approximately 17% of our total television revenue. We anticipate that retransmission consent revenue will continue to be a growing source of net revenues in future periods.

**Channel Modification Revenue.** We also generate revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. In 2015, revenue from such agreements accounted for approximately 7% of our total television revenue.

#### Television Marketing/Audience Research

We derive our revenue primarily from selling advertising time. The relative advertising rates charged by competing stations within a market depend primarily on the following factors:

- the station's ratings (households or people viewing its programs as a percentage of total television households or people in the viewing area);
- audience share (households or people viewing its programs as a percentage of households or people actually watching television at a specific time);
- the demographic qualities of a program's viewers (primarily age and gender);
- the demand for available air time;
- the time of day the advertising will run;
- competitive conditions in the station's market, including the availability of other advertising media; and
- general economic conditions, including advertisers' budgetary considerations.

Nielsen ratings provide advertisers with the industry-accepted measure of television viewing. Nielsen offers a ratings service measuring all television audience viewing. In recent years, Nielsen has modified the methodology of its ratings service in an effort to more accurately measure U.S. Hispanic viewing by using language spoken in the home as a control characteristic of its metered market sample. Nielsen has also added weighting by language as part of its

local metered market methodology in many of our metered markets. Nielsen also continues to improve the methods by which it electronically measures television viewing, and has expanded its Local People Meter service to several of our markets. We believe that this improvement will continue to result in ratings gains for us, allowing us to further increase our advertising rates. We have made significant investments in experienced sales managers and account executives and have provided our sales professionals with research tools to continue to attract major advertisers.

## Television Competition

We face intense competition in the television broadcasting business. In each local television market, we compete for viewers and revenue with other local television stations, which are typically the local affiliates of the four principal English-language television networks, NBC, ABC, CBS and Fox and, in certain cities, the CW network. In certain markets (other than San Diego), we also compete with the local affiliates or owned and operated stations of Telemundo, the Spanish-language television network now owned by Comcast, as well as TV Azteca, the second-largest producer of Spanish-language programming in the world.

We also directly or indirectly compete for viewers and revenue with both English- and Spanish-language independent television stations, other video media, suppliers of cable television programs, direct broadcast systems, newspapers, magazines, radio, applications for mobile media devices and other forms of entertainment and advertising. In addition, in certain markets we operate radio stations that indirectly compete for local and national advertising revenue with our television business.

We believe that our primary competitive advantages are the quality of the programming we receive through our affiliation with Univision and the quality of our local news. According to Univision, its primary network is one of the top five networks in the United States regardless of language and is the most-watched Spanish-language network in the United States during prime time. In addition, Univision reports that its primary network and the UniMás network together have maintained superior audience ratings among all U.S. Hispanic households when compared to both Spanish-language and English-language broadcast networks. Similarly, our local news achieves strong audience ratings. In 12 of our television markets, our early local news is ranked first or second among competing local newscasts regardless of language in its designated time slot among adults 18-49 years of age.

Telemundo is the second-largest provider of Spanish-language content worldwide. Telemundo's multiple platforms include the Telemundo Network, a Spanish-Language television network featuring original productions, theatrical motion pictures, news and first class sports events.

We also benefit from operating in different media: television and radio advertising. While we have not engaged in any significant cross-selling program, we do take advantage of opportunities for cross-promotion of our stations.

## Radio

### Overview

We own and operate 49 radio stations (38 FM and 11 AM), 48 of which are located in the top 50 Hispanic markets in the United States and a national sales representation firm, Entravision Solutions. Our radio stations broadcast into markets with an aggregate of approximately 20 million U.S. Hispanics, which is approximately 40% of the Hispanic population in the United States. Our radio operations combine network and local programming with local time slots available for advertising, news, traffic, weather, promotions and community events. This strategy allows us to provide quality programming with significantly lower costs of operations than we could otherwise deliver solely with all local programming.

### Radio Programming

Radio Networks. Our networks allow advertisers with national product distribution to deliver a uniform advertising message to the growing Hispanic market around the country in an efficient manner.

Although our networks have a broad geographic reach, technology allows our stations to offer the necessary local feel and to be responsive to local clients and community needs. Designated time slots are used for local advertising, news, traffic, weather, promotions and community events. The audience gets the benefit of a national radio sound along with



local content. To further enhance this effect, our on-air personalities frequently travel to participate in local promotional events. For example, in selected key markets our on-air personalities appear at special events and client locations. We promote these events as “remotes” to bond the national personalities to local listeners. Furthermore, all of our stations can disconnect from the networks and operate independently in the case of a local emergency or a problem with our central Multiprotocol Label Switching, or MPLS, transmission.

Radio Formats. Each of our three radio networks produce a music format that is simultaneously distributed via MPLS with a High Definition quality sound to our stations. Each of these formats appeals to different listener preferences:

- “La Tricolor” is a personality-driven format, primarily targeting male Hispanic listeners 18-49 years of age, that includes “El Show de Piolin” in the morning drive, which airs on 16 of our stations, “El Pajarete” during midday hours, which airs on 13 of our stations, “Erazno y La Chokolata” in the afternoon drive, which airs on 17 of our stations and is syndicated on an additional 62 stations, and Mexican regional music;
- “José: Nunca Sabes Lo Que Va A Tocar” (“You never know what he’ll play”), which targets Hispanic adults 25-54 years of age, features a mix of Spanish-language adult contemporary and Mexican regional hits from the 1970s through the present;

“El Genio” Alex Lucas in the mornings; “Curvas Peligrosas”, a nutritionally-focused program that educates Hispanics on healthy lifestyles; “LMS Show”, featuring Latino celebrity news and entertainment in the evenings; and play-by-play soccer coverage of the Mexican national team, including coverage of the 2018 World Cup; and  
· “Super Estrella”, which primarily targets Hispanic adults 18-49 years of age, airs in four of our markets and features the best Spanish-language contemporary artists.

Our radio networks are broadcast into 15 of the 18 radio markets that we serve. In addition, in markets where competing stations already offer programming similar to our network formats, or where we otherwise identify an available niche in the marketplace, we run alternative programming that we believe will appeal to local listeners, including the following:

- In the El Paso market, we program “The Fox”, an English-language format that features classic rock and pop hits from the 1960s through the 1980s and targets primarily adults 25-54 years of age;
- In the McAllen market, we program a Mexican country-style music format that targets primarily Hispanic males 18-49 years of age that includes “El Show de Piolin” in the morning drive;
- Also in the McAllen market, we program two English-language formats, a classic rock-oriented format that targets primarily males 18-49 years of age and a hit-based adult contemporary format targeting primarily women 18-49 years of age;
- In the Orlando market, we program “Salsa 98.1”, a Spanish-language tropical hits format that features salsa, merengue and bachata and targets Hispanic adults 25-54 years of age;
- In the Phoenix, El Paso, Lubbock, Stockton, Houston and Albuquerque markets, we program “ESPN Deportes”, a Spanish-language sports talk format targeting primarily Hispanic adults 18-54 years of age, that is provided to us by a third party pursuant to a network affiliation agreement; and
- In the Sacramento market, we program two English-language formats, a rhythmic contemporary hit format targeting primarily females 18-34 years of age and a young country format targeting primarily adults 18-49 years of age.

Our Radio Station Portfolio

The following table lists information concerning each of our owned and operated radio stations in order of market rank and its respective market:

Market	Market Rank (by Hispanic Households)	Station	Frequency	Format
Los Angeles-San Diego-Ventura, California	1	KLYY-FM	97.5 MHz	José (1)
			103.1 MHz	
		KDLD-FM	103.1 MHz	José (1)
			107.1 MHz	
		KDLE-FM	107.1 MHz	José (1)
			107.1 MHz	
		KSSC-FM		Super Estrella (1)
		KSSD-FM		Super Estrella (1)
		KSSE-FM		Super Estrella (1)
Miami-Ft. Lauderdale-Hollywood, Florida	3	WLQY-AM	1320 kHz	Time Brokered (2)
Houston-Galveston, Texas	4	KGOL-AM	1180 kHz	ESPN Deportes (2)
Phoenix, Arizona	9	KLNZ-FM	103.5 MHz	La Tricolor
			106.9 MHz	
		KDVA-FM	107.1 MHz	José
			710 kHz	
		KVVA-FM		José
		KBMB-AM		ESPN Deportes
Harlingen-Weslaco-Brownsville-McAllen, Texas	10	KFRQ-FM	94.5 MHz	Classic Rock (English)
			99.5 MHz	
		KKPS-FM	101.1 MHz	Mexican Regional
			107.9 MHz	
		KNVO-FM		José
		KVLY-FM		Adult Contemporary (English)
Sacramento-Stockton-Modesto, California	11	KRCX-FM	99.9 MHz	La Tricolor
			101.9 MHz	
		KNTY-FM	103.5 MHz	Country (English)
			104.3 MHz	
		KHHM-FM	100.9 MHz	Contemporary Hit (English)
			1570 kHz	
		KXSE-FM	97.1 MHz	José
	98.9 MHz			
		KMIX-FM		La Tricolor
		KCVR-AM		ESPN Deportes

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		KTSE-FM			José
		KCVR-FM			Super Estrella
Orlando-Daytona Beach-Melbourne, Florida	14	WNUE-FM	98.1	MHz	Salsa 98.1
Albuquerque-Santa Fe, New Mexico	15	KRZY-FM	105.9	MHz	José
			1450	kHz	
		KRZY-AM			ESPN Deportes
Denver-Boulder, Colorado	17	KJMN-FM	92.1	MHz	José
			96.5	MHz	
		KXPK-FM	1090	kHz	La Tricolor
			107.1	MHz	
Aspen, Colorado		KMXA-AM			Super Estrella
		KPVW-FM			La Tricolor
El Paso, Texas	19	KOFX-FM	92.3	MHz	Oldies (English)
			93.9	MHz	
		KINT-FM	94.7	MHz	José
			1650	kHz	
		KYSE-FM	1150	kHz	La Tricolor
		KSVE-AM			ESPN Deportes
		KHRO-AM			Oldies (English)
Las Vegas, Nevada	24	KRRN-FM	92.7	MHz	Super Estrella
			105.1	MHz	
		KQRT-FM			La Tricolor
Monterey-Salinas-Santa Cruz, California	34	KLOK-FM	99.5	MHz	La Tricolor
			107.1	MHz	
		KSES-FM	700	kHz	José
		KMBX-AM			Time Brokered (2)
Yuma, Arizona-El Centro, California	39	KSEH-FM	94.5	MHz	José
			99.3	MHz	
		KMXX-FM	1430	kHz	La Tricolor
		KWST-AM			Time Brokered (2)
Palm Springs, California	48	KLOB-FM	94.7	MHz	José
		KPST-FM	103.5	MHz	La Tricolor
Lubbock, Texas	50	KAIQ-FM	95.5	MHz	La Tricolor
			1460	kHz	
		KBZO-AM			ESPN Deportes
Reno, Nevada	59	KRNV-FM	102.1	MHz	La Tricolor

Market rank source: Nielsen Media Research 2016 estimates.

(1) Simulcast station.

(2) Operated pursuant to a time brokerage arrangement under which we grant to third parties the right to program the station.

## Radio Advertising

Substantially all of the revenue generated from our radio operations is derived from local and national advertising.

**Local.** Local advertising revenue is generated predominantly from advertising time sold to an advertiser or its agency that is placed from within a station's market or directly with a station's sales staff, and also from a third-party network inventory agreement, digital, and non-traditional revenue. Local advertising sales include sales to advertisers that are local businesses or advertising agencies, and regional and national businesses or advertising agencies, which place orders from within a station's market or directly with a station's sales staff. We employ our own local sales force, in each of our markets, that is responsible for soliciting local advertising sales directly from advertisers and their agencies. In 2015, local advertising revenue accounted for approximately 64% of our total radio revenue.

**National.** National advertising revenue generally represents spot and network revenue from advertising time sold to an advertiser or its agency that is placed from outside a station's market. Entravision Solutions, one of our divisions, typically acts as a national sales representative to solicit national advertising sales on our Spanish-language radio stations. In 2015, national advertising revenue accounted for approximately 36% of our total radio revenue.

## Radio Marketing/Audience Research

We believe that radio is an efficient means for advertisers to reach targeted demographic groups. Advertising rates charged by our radio stations are based primarily on the following factors:

- the station's ratings (people listening to its programs as a percentage of total people in the listening area);
- audience share (people listening to its programs as a percentage of people actually listening to radio at a specific time);
- the demographic qualities of a program's listeners (primarily age and gender);
- the demand for available air time;
- the time of day that the advertising runs;
- competitive conditions in the station's market, including the availability of other advertising media; and
- general economic conditions, including advertisers' budgetary considerations.

Nielsen Audio provides advertisers with the industry-accepted measure of listening audience classified by demographic segment and time of day that the listeners spend on particular radio stations. Radio advertising rates generally are highest during the hours of 6:00 A.M. and 7:00 P.M. These hours are considered the peak times for radio audience listening.

Historically, advertising rates for Spanish-language radio stations have been lower than those for English-language stations with similar audience levels. We believe that, over time, possibilities exist to narrow the disparities that have historically existed between Spanish-language and English-language advertising rates as new and existing advertisers recognize the growing desirability of the U.S. Hispanic population as an advertising target. For example, U.S. Hispanics spend more on consumer packaged goods (including foods, adult beverages, household products, health and beauty aids and over-the-counter medications) than the national average. We also believe that having multiple stations in a market enables us to provide listeners with alternatives, to secure a higher overall percentage of a market's available advertising dollars, and to obtain greater percentages of individual customers' advertising budgets.

Each station broadcasts an optimal number of advertisements each hour, depending upon its format, in order to maximize the station's revenue without jeopardizing its audience listenership. Our non-network stations have up to 14 minutes per hour for commercial inventory and local content. Our network stations have up to one additional minute of commercial inventory per hour. The pricing is based on a rate card and negotiations subject to the supply and demand for the inventory in each particular market and the network.

## Radio Competition

We face intense competition in the radio broadcasting business. The financial success of each of our radio stations and markets depends in large part on our audience ratings, our ability to increase our market share of overall radio advertising revenue and the economic health of the market. In addition, our advertising revenue depends upon the desire of advertisers to reach our audience demographic. Each of our radio stations competes for audience share and advertising revenue directly with both Spanish-language and English-language radio stations in its market, and with other media, such as newspapers, broadcast and cable television, magazines, outdoor advertising, satellite-delivered radio services, applications for mobile media devices and other forms of digital delivery, and direct mail advertising. In addition, in certain markets we operate television stations that indirectly compete for local and national advertising revenue with our radio business. Our primary competitors in our markets in Spanish-language radio are Univision, Clear

Channel Communications Inc. and Spanish Broadcasting System, Inc. These and many of the other companies with which we compete are large national or regional companies that have significantly greater resources and longer operating histories than we do.

Factors that are material to our competitive position include management experience, a station's rank in its market, signal strength and audience demographics. If a competing station within a market converts to a format similar to that of one of our stations, or if one of our competitors upgrades its stations, we could suffer a reduction in ratings and advertising revenue in that market. The audience ratings and advertising revenue of our individual stations are subject to fluctuation and any adverse change in certain of our key radio markets could have a material adverse effect on our operations.

The radio industry is subject to competition from new media technologies that are being developed or introduced, such as:

- audio programming by cable television systems, broadcast satellite-delivered audio services, cellular telephones and smart telephones, including easy-to-use mobile applications, Internet content providers, and other digital audio broadcast formats and playback mechanisms;
- satellite-delivered digital audio services with CD-quality sound—with both commercial-free and lower commercial load channels—which have expanded their subscriber base and have introduced dedicated Spanish-language channels; and
- In-Band On-Channel™ digital radio, which provides multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional FM radio services.

We believe that while none of these new technologies can replace local broadcast radio stations, the challenges from new technologies will continue to require attention from management. In addition, we will continue to review potential opportunities to utilize such new technologies.

## Digital

### Overview

We provide digital advertising solutions that allow advertisers to reach online Hispanic audiences in the United States and Mexico. We operate a proprietary technology and data platform that delivers digital advertising in various advertising formats to allow advertisers to reach Hispanic audiences across a wide range of Internet-connected devices on our owned and operated digital media sites, the digital media sites of our publisher partners, or owners of Internet and mobile sites that contain premium digital content and digital advertising inventory who provide us with access to their digital advertising inventory, and on other digital media sites we access through third-party platforms and exchanges. We access data from these digital media sites and apply our proprietary data analytics capabilities to better target and aggregate Hispanic audience segments that will be relevant to individual advertisers, while allowing the publishers of digital media sites to better sell their digital advertising inventory.

### Our Solutions and Technology Platform

Through our Pulpo Media, Inc. (“Pulpo”) advertising network, we offer advertisers the opportunity to reach and engage with their target audiences by providing access to premium digital inventory in brand safe environments at scale across a wide range of devices. Our significant audience reach, access to a large volume of digital advertising space, sophisticated targeting capabilities and broad array of advertising formats allow us to deliver marketing solutions that can help grow our clients' businesses. We also enable advertisers to gain insights into the performance of their advertising campaigns and manage those campaigns with a view toward maximizing return on their advertising investment.

We believe that key benefits of our digital advertising solutions include the following:

Sophisticated targeting. Our platform and solutions specifically identify and reach online Hispanic audiences, which we refer to as “(i)Hispanics”, across a wide range of Internet-connected devices.

We believe that one of the main strengths of our platform is that it accesses and analyzes large amounts of data to provide a unique, multidimensional view of individual consumer profiles of (i)Hispanics at all levels of acculturation within the United States. We refer to this analysis as our proprietary (i)Hispanic acculturation model, which analyzes data such as generational status, age of entry into the U.S., amount of time spent living in the U.S., language preference and English proficiency, demographic data, geographic information and online behavioral knowledge, to provide advertisers with valuable insights and better understanding of Hispanic audiences and consumers. This understanding allows advertisers to more effectively reach Hispanic consumers across all acculturation levels in the U.S. and engage with them more effectively.

We have also developed a number of audience categories to which advertisers can target their ads. Audience categories can be based on a variety of user attributes, including location, demographics, affluence, intent, gender and interests. We identify these



attributes and audience categories based upon information we have gathered about online users' online activity on an anonymous basis, a process known as interest-based or online behavioral advertising. We analyze this data to build sophisticated user profiles and audience groups that, in combination with our proprietary (i)Hispanic acculturation model and the real-time decision-making, optimization and targeting capabilities of our platform, enables us to deliver highly targeted advertising campaigns for our advertiser clients, as well as analytics to help them better understand Hispanic audiences and consumers. As we deliver more ads, we are able to collect additional information about users, audiences and the effectiveness of particular ad campaigns, which in turn enhances our targeting capabilities and allows us to deliver better performance for advertisers and better opportunities for our publisher partners to increase their revenue streams. In addition, advertisers are willing to pay a higher rate for digital advertising when deeper consumer data can be used to help them make their decisions about purchasing advertising and to engage with the consumers whom they desire to reach.

**Premium content.** We provide our advertiser clients with access to premium digital content, which is professionally produced and we believe offers a quality viewing experience, through our owned and operated digital media sites and those of our publisher partners. This enables publishers to more effectively monetize their digital content, and enables advertisers to more effectively reach audiences who engage with such premium content.

**Scale and reach across a range of Internet-connected devices.** We enable advertisers to use our digital media advertising solutions to address their online and mobile advertising needs to reach their desired audiences at scale across a wide range of Internet-connected devices, including computers, smartphones and tablets.

**Variety of advertising formats.** We enable advertisers to deliver a variety of advertising formats, including video ads, display banners, rich media and native ad formats. We believe that these advertising formats provide an opportunity for advertisers to create a variety of advertising content that increases audience interaction and engagement, which in turn drives better results for advertisers.

**Brand safety.** Our proprietary technology contextually evaluates the content of digital media sites on which we deliver ads in order to identify content that is most appropriate or desirable for an individual advertiser, and also ensure that ads are not being delivered within content that is identified as objectionable to the advertiser, such as content that contains distasteful or obscene language, violence, gambling, sex or criminal activity. We believe that the combination of our practice of selecting publisher partners and our proprietary technology provides a high level of brand safety for our advertisers.

## Digital Advertising

We provide our advertisers with opportunities to reach their target audiences through brand advertising and performance-based advertising. Brand advertising is generally intended to establish a long-term, positive consumer attitude toward an advertiser or its product or service, and brand advertisers typically measure campaign effectiveness using metrics such as reach (how many consumers within the advertiser's target audience were exposed to the advertisement) and frequency (how many times the consumer within the target audience was exposed to the advertisement). Performance-based advertising is generally intended to induce a specific action, such as clicking on an advertisement, and direct response advertisers typically measure campaign effectiveness using metrics related to consumer response to an advertisement.

We generate digital revenue by delivering digital advertisements on digital media sites across a wide range of Internet-connected online and mobile devices. Advertisers and agencies typically purchase advertising from us through campaigns that are sold and managed by our direct sales force, which we refer to as managed campaigns. Managed campaigns provide advertisers with a higher degree of "white glove" customer service, with dedicated account teams that use an automated platform to deliver advertising campaigns for advertisers.

We typically contract with advertisers or agencies through insertion orders, which set forth campaign parameters such as size and duration of the campaign, type of advertising format and pricing. Digital advertising customers submit ad insertion orders to us and we fulfill those orders by delivering their digital advertisements to audiences through digital media properties. We are typically paid by advertisers on the basis of the number of viewer impressions to whom an advertisement is delivered, known as a cost per thousand basis, and we generally pay our publisher partners a negotiated percentage of this revenue. Prior to running an advertising campaign, the advertiser or agency may work with our creative team to provide the creative direction of the campaign and design in order to most effectively reach the audiences most desirable to it.

#### Our Digital Customers

Our digital customer base consists primarily of advertisers of all sizes and the advertising agencies that represent them. For the year ended December 31, 2015, we had over 2,000 advertising clients, including top brand advertisers from nearly all major industries, including automotive, consumer products, services, healthcare, telecommunications, travel, retail, finance and media. Digital revenue from individual advertisers varies from period to period. We do not believe that our business is substantially dependent upon any

individual advertiser, and no individual advertiser represented more than 5% of our digital revenue for the year ended December 31, 2015.

### Our Digital Publisher Network

We have contractual relationships with premium publishers, or owners of sites that contain premium digital content and provide digital advertising inventory. We consider a premium publisher to be a publisher that has content that is professionally produced and offers a quality viewing experience. These relationships provide us with digital advertising inventory, which we utilize to deliver our digital advertising solutions to our digital advertising customers. We engage our publisher partners through a variety of methods, including outreach by a dedicated business development team. We do not believe that the success of our business is dependent on our relationship with any single publisher partner.

We seek to identify owners of digital media properties featuring premium digital content that, individually or collectively, have the audience scale, composition and accessibility across Internet-connected devices to achieve the objectives of our advertisers. We review a variety of criteria to determine the quality of the advertising inventory and its appropriateness for our advertiser clients, including content, the characteristics of the publisher's viewing audience, the targeting attributes that can be obtained from the digital media property in real time and the volume of available digital content and impressions.

### Digital Competition

The digital advertising market is dynamic, rapidly changing and highly competitive, influenced by trends in both the overall advertising market as well as the digital advertising market. We compete with large online digital publishers such as Hulu, LLC and YouTube, LLC, which is owned by Google, Inc., as well as other publishers who rely on their own sales organizations to attract advertisers to their digital properties. Across the digital media landscape, we compete for advertising purchases with large entities such as Google Inc., Facebook, Inc., Microsoft Corporation, AOL Inc. and Yahoo! Inc., all of whom offer digital advertising services as part of a larger solution for digital media buying, as well as other advertising technology companies and advertising networks. In the traditional media space, our digital operations also compete for advertising commitments with TV broadcasters, cable TV broadcasters, radio broadcasters, print media and other traditional publishers. Many of our competitors have significant client relationships, much larger financial resources and longer operating histories in this space than we have.

We believe that the principal competitive factors in our industry include effective audience targeting capabilities, multi-device campaign delivery capability, proven and scalable technologies, audience scale and reach, relationships with leading advertisers and their respective agencies, brand awareness and reputation, ability to gather and use data to deliver more relevant ads, ability to ensure brand safety, ability to prevent click fraud and use of analytics to effectively measure performance. We believe that we compete favorably with respect to all of these factors and that we are well-positioned to be a leading provider of digital advertising solutions to reach Hispanic audiences in the United States and Mexico.

### Seasonality

Seasonal net revenue fluctuations are common in the television and radio broadcasting and digital media industries and are due primarily to fluctuations in advertising expenditures by local and national advertisers. Our first fiscal quarter generally produces the lowest net revenue for the year. In addition, advertising revenue is generally higher during presidential election years (2016, 2020, etc.) resulting from significant political advertising and, to a lesser degree, Congressional off-year elections (2018, 2022, etc.), resulting from increased political advertising, compared to other years.

### Intellectual Property

We believe that our ability to protect our intellectual property is an important factor in the success and continued growth of our business. We protect our intellectual property through trade secrets law, copyrights, trademarks and contracts. We have established business procedures designed to maintain the confidentiality of our proprietary information, including the use of confidentiality agreements and assignment of inventions agreements with employees, independent contractors, consultants and companies with which we conduct business.

In the course of our business, we use various trademarks, trade names and service marks, including our logos and FCC call letters, in our advertising and promotions, as well as proprietary technology platforms and other technology. Some of our technology relies upon third party licensed intellectual property. We do not hold or depend upon any material patent, government license, franchise or concession, except our broadcast licenses granted by the FCC.

## Employees

As of December 31, 2015, we had approximately 1,165 full-time employees worldwide. Approximately 1,073 of those full-time employees are in the United States, including 701 full-time employees in television, 350 full-time employees in radio, and 22 full-time employees in digital. As of December 31, 2015, three of our full-time television employees in the United States were represented by a labor union that has entered into a collective bargaining agreement with us. Our 24 full-time and four part-time employees in Mexico are covered by a collective bargaining agreement, which runs until January 31, 2018. We also have 68 full-time and two part-time employees in Argentina, who work on our digital operations and who are not members of a union or collective bargaining unit. We believe that our relations with our employees and these unions generally are good.

## Regulation of Television and Radio Broadcasting

General. The FCC regulates television and radio broadcast stations pursuant to the Communications Act of 1934, or the Communications Act. Among other things, the FCC:

- determines the particular frequencies, locations and operating power of stations;
- issues, renews, revokes and modifies station licenses;
- regulates equipment used by stations; and
- adopts and implements regulations and policies that directly or indirectly affect the ownership, changes in ownership, control, operation and employment practices of stations.

A licensee's failure to observe the requirements of the Communications Act or FCC rules and policies may result in the imposition of various sanctions, including admonishment, fines, the grant of renewal terms of less than eight years, the grant of a license renewal with conditions or, in the case of particularly egregious violations, the denial of a license renewal application, the revocation of an FCC license or the denial of FCC consent to acquire additional broadcast properties.

Congress and the FCC have had under consideration or reconsideration, and may in the future consider and adopt, new laws, regulations and policies regarding a wide variety of matters that could, directly or indirectly, affect the operation, ownership and profitability of our television and radio stations, result in the loss of audience share and advertising revenue for our television and radio broadcast stations or affect our ability to acquire additional television and radio broadcast stations or finance such acquisitions. Such matters may include:

- changes to the license authorization process;
- proposals to impose spectrum use or other fees on FCC licensees;
- proposals to impose a performance tax on the music broadcast on commercial radio stations and the fees applicable to digital transmission of music on the Internet;
- proposals to change rules relating to political broadcasting including proposals to grant free airtime to candidates;
- proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;
- proposals dealing with the broadcast of profane, indecent or obscene language and the consequences to a broadcaster for permitting such speech;
- technical and frequency allocation matters;
- modifications to the operating rules for digital television and radio broadcasting rules on both satellite and terrestrial bases;
- the implementation or modification of rules governing the carriage of local television signals by direct broadcast satellite, or DBS, services and cable television systems and the manner in which such parties negotiate such carriage arrangements;
- changes in local and national broadcast multiple ownership, foreign ownership, cross-ownership and ownership attribution rules;
  - changes in the procedures whereby full-service broadcast stations are carried on multichannel video programming providers (MVPDs) (cable television and direct-broadcast satellite systems) either on a

must-carry or retransmission consent basis and how compensation systems and processes involving broadcasters and MVPDs might be modified;

· changes in the operating rules and policies for AM broadcasting; and

· proposals to alter provisions of the tax laws affecting broadcast operations and acquisitions.

20

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We cannot predict what changes, if any, might be adopted, nor can we predict what other matters might be considered in the future, nor can we judge in advance what impact, if any, the implementation of any particular proposal or change might have on our business.

FCC Licenses. Television and radio stations operate pursuant to licenses that are granted by the FCC for a term of eight years, subject to renewal upon application to the FCC. During the periods when renewal applications are pending, petitions to deny license renewal applications may be filed by interested parties, including members of the public. The FCC may hold hearings on renewal applications if it is unable to determine that renewal of a license would serve the public interest, convenience and necessity, or if a petition to deny raises a “substantial and material question of fact” as to whether the grant of the renewal applications would be inconsistent with the public interest, convenience and necessity. However, the FCC is prohibited from considering competing applications for a renewal applicant’s frequency, and is required to grant the renewal application if it finds:

- that the station has served the public interest, convenience and necessity;
- that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC; and
- that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

If as a result of an evidentiary hearing the FCC determines that the licensee has failed to meet the requirements for renewal and that no mitigating factors justify the imposition of a lesser sanction, the FCC may deny a license renewal application. Historically, FCC licenses have generally been renewed. We have no reason to believe that our licenses will not be renewed in the ordinary course, although there can be no assurance to that effect. The non-renewal of one or more of our stations’ licenses could have a material adverse effect on our business.

Ownership Matters. The Communications Act requires prior consent of the FCC for the assignment of a broadcast license or the transfer of control of a corporation or other entity holding a license. In determining whether to approve an assignment of a television or radio broadcast license or a transfer of control of a broadcast licensee, the FCC considers a number of factors pertaining to the licensee including compliance with various rules limiting common ownership of media properties, the “character” of the licensee and those persons holding “attributable” interests therein, and the Communications Act’s limitations on foreign ownership and compliance with the FCC rules and regulations.

To obtain the FCC’s prior consent to assign or transfer a broadcast license, appropriate applications must be filed with the FCC. If the application to assign or transfer the license involves a substantial change in ownership or control of the licensee, for example, the transfer or acquisition of more than 50% of the voting equity, the application must be placed on public notice for a period of 30 days during which petitions to deny the application may be filed by interested parties, including members of the public. If an assignment application does not involve new parties, or if a transfer of control application does not involve a “substantial” change in ownership or control, it is a pro forma application, which is not subject to the public notice and 30-day petition to deny procedure. The regular and pro forma applications are nevertheless subject to informal objections that may be filed any time until the FCC acts on the application. If the FCC grants an assignment or transfer application, interested parties have 30 days from public notice of the grant to seek reconsideration of that grant. The FCC has an additional ten days to set aside such grant on its own motion. When ruling on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

Under the Communications Act, a broadcast license may not, absent a public interest determination by the FCC, be granted to or held by persons who are not U.S. citizens, by any corporation that has more than 20% of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives or by non-U.S. corporations. Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation directly or indirectly controlled by any other corporation of which more than 25% of its capital stock is owned of record or voted by non-U.S. citizens or entities or their

representatives, or foreign governments or their representatives or by non-U.S. corporations. The FCC has issued a declaratory order that it would, upon request, consider favorably permitting foreign ownership of broadcast stations in excess of the limits and has done so in at least one instance. It is presently considering the formalization and simplification of its internal processes in handling requests for consent to exceed the statutory limits. Thus, the licenses for our stations could be revoked if our outstanding capital stock is issued to or for the benefit of non-U.S. citizens in excess of these limitations. Our restated certificate of incorporation restricts the ownership and voting of our capital stock to comply with these requirements.

The FCC generally applies its other broadcast ownership limits to “cognizable” interests held by an individual, corporation or other association or entity. In the case of a corporation holding broadcast licenses, the interests of officers, directors and those who, directly or indirectly, have the right to vote 5% or more of the stock of a licensee corporation are generally deemed attributable interests, as are positions as an officer or director of a corporate parent of a broadcast licensee.



Stock interests held by insurance companies, mutual funds, bank trust departments and certain other passive investors that hold stock for investment purposes only become attributable with the ownership of 20% or more of the voting stock of the corporation holding broadcast licenses.

A time brokerage agreement with another television or radio station in the same market creates an attributable interest in the brokered television or radio station as well for purposes of the FCC's local television or radio station ownership rules, if the agreement affects more than 15% of the brokered television or radio station's weekly broadcast hours. Likewise, a joint sales agreement involving radio stations creates a similar attributable interest for the broadcast station that is undertaking the sales function. The FCC, acting in 2014, extended the joint sales agreement attribution policy to television stations and set an effective date of December 19, 2016; however, in late 2015, Congress, as part of the appropriations process, enacted legislation, which subsequently became law, that extended the effective date, for such agreements in effect as of March 31, 2014, which would have affected stations where we have such agreements, until September 30, 2025. We are considering whether to seek a waiver of this policy for our stations involved in joint sales agreements or to take other actions to comply with the new rules.

Debt instruments, non-voting stock, options and warrants for voting stock that have not yet been exercised, insulated limited partnership interests where the limited partner is not "materially involved" in the media-related activities of the partnership and minority voting stock interests in corporations where there is a single holder of more than 50% of the outstanding voting stock whose vote is sufficient to affirmatively direct the affairs of the corporation generally do not subject their holders to attribution.

However, the FCC also applies a rule, known as the equity-debt-plus rule, which causes certain creditors or investors to be attributable owners of a station, regardless of whether there is a single majority stockholder or other applicable exception to the FCC's attribution rules. Under this rule, a major programming supplier (any programming supplier that provides more than 15% of the station's weekly programming hours) or a same-market media entity will be an attributable owner of a station if the supplier or same-market media entity holds debt or equity, or both, in the station that is greater than 33% of the value of the station's total debt plus equity. For purposes of the equity-debt-plus rule, equity includes all stock, whether voting or nonvoting, and equity held by insulated limited partners in limited partnerships. Debt includes all liabilities, whether long-term or short-term.

Under the ownership rules currently in place, the FCC generally permits an owner to have only one television station per market. A single owner is permitted to have two stations with overlapping signals so long as they are assigned to different markets. The FCC's rules regarding ownership permit, however, an owner to operate two television stations assigned to the same market so long as either:

- the television stations do not have overlapping broadcast signals; or
- there will remain after the transaction eight independently owned, full power noncommercial or commercial operating television stations in the market and one of the two commonly-owned stations is not ranked in the top four based upon audience share.

The FCC will consider waiving these ownership restrictions in certain cases involving failing or failed stations or stations which are not yet built.

The FCC permits a television station owner to own one radio station in the same market as its television station. In addition, a television station owner is permitted to own additional radio stations, not to exceed the local radio ownership limits for the market, as follows:

- in markets where 20 media voices will remain, a television station owner may own an additional five radio stations, or, if the owner only has one television station, an additional six radio stations; and
- in markets where ten media voices will remain, a television station owner may own an additional three radio stations.

A “media voice” includes each independently-owned and operated full-power television and radio station and each daily newspaper that has a circulation exceeding 5% of the households in the market, plus one voice for all cable television systems operating in the market.

The FCC rules impose a limit on the number of television stations a single individual or entity may own nationwide.

The number of radio stations an entity or individual may own in a radio market is as follows:

- In a radio market with 45 or more commercial radio stations, a party may own, operate or control up to eight commercial radio stations, not more than five of which are in the same service (AM or FM).
- In a radio market with between 30 and 44 (inclusive) commercial radio stations, a party may own, operate or control up to seven commercial radio stations, not more than four of which are in the same service (AM or FM).

22

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- In a radio market with between 15 and 29 (inclusive) commercial radio stations, a party may own, operate or control up to six commercial radio stations, not more than four of which are in the same service (AM or FM).
- In a radio market with 14 or fewer commercial radio stations, a party may own, operate or control up to five commercial radio stations, not more than three of which are in the same service (AM or FM), except that a party may not own, operate, or control more than 50% of the radio stations in such market.

Because of these multiple and cross-ownership rules, if one of our stockholders, officers or directors holds a “cognizable” interest in our company, such stockholder, officer or director may violate the FCC’s rules if such person or entity also holds or acquires an attributable interest in other television or radio stations or daily newspapers in such markets, depending on their number and location. If an attributable stockholder, officer or director of our company violates any of these ownership rules, we may be unable to obtain from the FCC one or more authorizations needed to conduct our broadcast business and may be unable to obtain FCC consents for certain future acquisitions.

Pursuant to the Communications Act, the FCC is required, on a quadrennial basis, to review its media ownership rules. The FCC began the most recent such review in 2010. In 2014, the FCC initiated a new Quadrennial Review and incorporated the existing 2010 record into that proceeding.

The rule changes that have previously gone into effect amend the FCC’s methodology for defining a radio market for the purpose of ownership caps. The FCC replaced its signal contour method of defining local radio markets in favor of a geographic market assigned by Nielsen Audio, the private audience measurement service for radio broadcasters. For non- Nielsen Audio markets, the FCC is conducting a rulemaking in order to define markets in a manner comparable to Nielsen Audio’s method. In the interim, the FCC will apply a “modified contour approach,” to non- Nielsen Audio markets. This modified approach will exclude any radio station whose transmitter site is more than 58 miles from the perimeter of the mutual overlap area. As for newspaper-broadcast cross-ownership, the FCC adopted a presumption that newspaper-broadcast ownership is consistent with the public interest in the top 20 television markets, while the presumption, in smaller markets, is that such cross-ownership is not consistent with the public interest, subject to certain exceptions.

With regard to the national television ownership limit, the FCC increased the national television ownership limit to 45% from 35%. Congress subsequently enacted legislation that reduced the nationwide cap to 39%. Accordingly, a company can now own television stations collectively reaching up to a 39% share of U.S. television households. Limits on ownership of multiple local television stations still apply, even if the 39% limit is not reached on a national level.

In establishing a national cap by statute, Congress did not make mention of the FCC’s UHF discount policy, whereby UHF stations are deemed to serve only one-half of the population in their television markets. The FCC has commenced a rulemaking proceeding to consider whether it should retain the UHF discount policy. In doing so, the FCC has stated that it will grandfather ownership interests in place as of the commencement of the proceeding.

The Communications Act requires broadcasters to serve the “public interest.” The FCC has relaxed or eliminated many of the more formalized procedures it developed to promote the broadcast of certain types of programming responsive to the needs of a broadcast station’s community of license. Nevertheless, a broadcast licensee continues to be required to present programming in response to community problems, needs and interests and to maintain certain records demonstrating its responsiveness. The FCC considers complaints from the public about a broadcast station’s programming when it evaluates the licensee’s renewal application, but complaints also may be filed and considered at any time. Stations also must follow various FCC rules that regulate, among other things, political broadcasting, the broadcast of profane, obscene or indecent programming, sponsorship identification, the broadcast of contests and lotteries and technical operations.

The FCC requires that licensees must not discriminate in hiring practices. It has recently released new rules that will require us to adhere to certain outreach practices when hiring personnel for our stations and to keep records of our compliance with these requirements. On March 10, 2003, the FCC’s current Equal Employment Opportunity, or EEO,

rules went into effect. The rules set forth a three-pronged recruitment and outreach program for companies with five or more full-time employees that requires the wide dissemination of information regarding full-time vacancies, notification to requesting recruitment organizations of such vacancies, and a number of non-vacancy related outreach efforts such as job fairs and internships. Stations are required to collect various information concerning vacancies, such as the number filled, recruitment sources used to fill each vacancy, and the number of persons interviewed for each vacancy. While stations are not required to routinely submit information to the FCC, stations must place an EEO report containing vacancy-related information and a description of outreach efforts in their public file annually. Stations must submit the annual EEO public file report as part of their renewal applications, and television stations with five or more full-time employees and radio stations with more than ten employees also must submit the report midway through their license term for FCC review. Stations also must place their EEO public file report on their Internet websites, if they have one. The EEO rules do not materially affect our operations. Failure to comply with the FCC's EEO rules could result in sanctions or the revocation of station licenses.

The FCC rules also prohibit a broadcast licensee from simulcasting more than 25% of its programming on another radio station in the same broadcast service (that is, AM/AM or FM/FM). The simulcasting restriction applies if the licensee owns both radio broadcast stations or owns one and programs the other through a local marketing agreement, provided that the contours of the radio stations overlap in a certain manner.

“Retransmission Consent” and “Must Carry” Rules. FCC regulations implementing the Cable Television Consumer Protection and Competition Act of 1992, or the Cable Act, require each full-power television broadcaster to elect, at three-year intervals beginning October 1, 1993, to either:

- require carriage of its signal by cable systems in the station’s market, which is referred to as “must carry” rules; or
- negotiate the terms on which such broadcast station would permit transmission of its signal by the cable systems within its market which is referred to as “retransmission consent.”

For the three-year period commencing on January 1, 2015, we generally elected “retransmission consent” in notifying the MVPDs that carry our television programming in our television markets. We have arrangements or have entered into agreements with nearly all of our MVPDs as to the terms of the carriage of our television stations and the compensation we will receive for granting such carriage rights, including through our national program supplier for Spanish-language programming, Univision, for our Univision- and UniMás-affiliated television stations, for the three-year period. The FCC has adopted a rule that now prohibits any future combined retransmission consent negotiations by television stations in the same television market that are not commonly-controlled. This rule prohibits us and Univision from negotiating retransmission consent jointly, or from coordinating such negotiations, in six markets where both companies own television stations.

The FCC has rules that govern the negotiation of retransmission consent agreements based on a policy decision to have those agreements negotiated in good faith. The FCC is undertaking a proceeding that could result in establishing new ground rules for such negotiations, including prohibiting certain negotiating practices on the part of broadcasters. We are not certain whether or in what form such provisions might be adopted and the impact of such changes on our negotiations and the economic results of such negotiations. Under the FCC’s rules currently in effect, cable systems are only required to carry one signal from each local broadcast television station. As an element of the retransmission consent negotiations described above, we arranged that our broadcast signal be available to our MVPD viewers, no matter whether they obtain their cable service in analog or digital modes. Cable systems are rapidly transitioning to providing their services in digital and we expect that analog cable service will be terminated by most cable operators and in most markets.

We continue to explore, subject to our legal rights to do so, and the economic opportunities available to us, the distribution of our programming in alternative modes, such as by delivery on the Internet, by multicast delivery services, and to individuals possessing wireless mobile reception devices.

Time Brokerage, Joint Sales Agreements and Shared Services Agreements. We have, from time to time, entered into time brokerage, joint sales and shared services agreements, generally in connection with pending station acquisitions, under which we are given the right to broker time on stations owned by third parties, agree that other parties may broker time on our stations, we or other parties sell broadcast time on a station, or share operating services with another broadcast station in the same market, as the case may be. By using these agreements, we can provide programming and other services to a station proposed to be acquired before we receive all applicable FCC and other governmental approvals, or receive such programming and other services where a third party is better able to undertake programming and/or sales efforts for us.

FCC rules and policies generally permit time brokerage agreements if the station licensee retains ultimate responsibility for and control of the applicable station. We cannot be sure that we will be able to air all of our scheduled programming on a station with which we have time brokerage agreements or that we will receive the anticipated revenue from the sale of advertising for such programming.

Under a typical joint sales agreement, a station licensee obtains, for a fee, the right to sell substantially all of the commercial advertising on a separately owned and licensed station in the same market. It also involves the provision by the selling party of certain sales, accounting and services to the station whose advertising is being sold. Unlike a time brokerage agreement, the typical joint sales agreement does not involve operating the station's program format.

In a shared services agreement, one station provides services, generally of a non-programming nature, to another station in the same market. This enables the recipient of the services to save on overhead costs.

As part of its increased scrutiny of television and radio station acquisitions, the DOJ has stated publicly that it believes that time brokerage agreements and joint sales agreements could violate the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, or the HSRA, if such agreements take effect prior to the expiration of the waiting period under the HSRA. Furthermore, the DOJ has noted that joint sales agreements may raise antitrust concerns under Section 1 of the Sherman Antitrust Act and has

challenged them in certain locations. The DOJ also has stated publicly that it has established certain revenue and audience share concentration benchmarks with respect to television and radio station acquisitions, above which a transaction may receive additional antitrust scrutiny. See “Risk Factors” below.

**Digital Television Services.** The FCC has adopted rules for implementing digital television service in the United States. Implementation of digital television has improved the technical quality of television signals and provides broadcasters the flexibility to offer new services, including high-definition television and broadband data transmission. The digital transition for full-power television stations was completed on June 12, 2009.

The FCC has required full-power and Class A television stations in the United States to operate in digital television. The transition date for low-power television stations has been postponed until after the completion of the incentive auction process (as hereinafter discussed). We have timely completed the digital transition of all of our full-power and Class A television stations to the digital mode. We are in the process of transitioning certain of our low-power stations to the digital mode where we believe is in our best interest to do so. We will make additional decisions after the completion of the incentive auction and repacking, as we determine the availability of spectrum to accommodate our low-power television stations.

The FCC has adopted rules to permit low-power stations to operate on a paired or stand-alone basis in digital service. We have secured authority for certain of our low-power stations to have paired operations or operate in digital. In certain cases, we have requested authority to “flash cut” certain of our low-power stations to digital service. In those markets where no spectrum was available for paired operations, we will make a decision to switch individual stations from analog to digital service based on the viewing patterns of our viewers.

Equipment and other costs associated with the transition to digital television, including the necessity of temporary dual-mode operations and the relocation of stations from one channel to another, have imposed some near-term financial costs on our television stations providing the services. The potential also exists for new sources of revenue to be derived from use of the digital spectrum, which we have explored in certain of our markets.

**Digital Radio Services.** The FCC has adopted standards for authorizing and implementing terrestrial digital audio broadcasting technology, known as “In-Band On-Channel™” or HD Radio, for radio stations. Digital audio broadcasting’s advantages over traditional analog broadcasting technology include improved sound quality and the ability to offer a greater variety of auxiliary services. This technology permits FM and AM stations to transmit radio programming in both analog and digital formats, or in digital only formats, using the bandwidth that the radio station is currently licensed to use. We have elected and commenced the process of rolling out this technology on a gradual basis owing to the absence of receivers equipped to receive such signals and are considering its merits as well as its costs. It is unclear what effect such technology will have on our business or the operations of our radio stations.

**Radio Frequency Radiation.** The FCC has adopted rules limiting human exposure to levels of radio frequency radiation. These rules require applicants for renewal of broadcast licenses or modification of existing licenses to inform the FCC whether an applicant’s broadcast facility would expose people to excessive radio frequency radiation. We currently believe that all of our stations are in compliance with the FCC’s current rules regarding radio frequency radiation exposure.

**Low-Power Radio Broadcast Service.** The FCC has created a low-power FM radio service and has granted a limited number of construction permits for such stations. Pursuant to legislation adopted in 2011, this service is being expanded and the opportunities for FM translator stations reduced. The low-power FM service allows for the operation of low-power FM radio stations, with a maximum power level of 100 watts. The 100-watt stations reach an area with a radius of approximately three and one-half miles. The low-power FM stations are required to protect other existing FM stations, as currently required of full-powered FM stations.

The low-power FM service is exclusively non-commercial. To date, our stations have not suffered any technical interference from such low-power FM stations' signals. Due to current technical restrictions and the non-commercial ownership requirement for low-power FM stations, we have not found that low-power FM service has caused any detrimental economic impact on our stations as well. Federal legislation has resulted in the increase in the availability of the low-power FM service and the FCC has recently begun granting new low-power FM authorizations. We do not foresee any material impact on our stations as a result of this legislation.

Other Proceedings. The Satellite Home Viewer Improvement Act of 1999, or SHVIA, allows satellite carriers to deliver broadcast programming to subscribers who are unable to obtain television network programming over the air from local television stations. Congress in 1999 enacted legislation to amend the SHVIA to facilitate the ability of satellite carriers to provide subscribers with programming from local television stations. Any satellite company that has chosen to provide local-into-local service must provide subscribers with all of the local broadcast television signals that are assigned to the market and where television licensees ask to be carried on the satellite system. We have taken advantage of this law to secure carriage of our full-power stations in those markets where the satellite operators have implemented local-into-local service. SHVIA expired in 2004 and Congress adopted the Satellite Home Viewer Extension and Reauthorization Act of 2004, or SHVERA. SHVERA extended the ability of satellite operators to implement local-into-local service. SHVERA expired in late 2009, but was extended in May 2010 by the Satellite Television



Extension and Localism Act, or STELA. STELA provided a further five-year extension of the “carry one/carry all” rule earlier adopted in SHVIA and SHVERA and was further renewed in late 2014 under the terms of the STELA Reauthorization Act of 2014 (STELAR). To the extent we have decided to secure our carriage on DBS through retransmission consent agreements, the “carry one/carry all” rule is no longer relevant to us.

White Spaces. The FCC has adopted rules, that are under appeal by the National Association of Broadcasters and other parties, to allow unlicensed users to operate within the broadcast spectrum in unoccupied parts known as the “white spaces.” The intention of the rules was to make available unused spectrum for use in connection with wireless functions related to connectivity between computers and related devices and the Internet. The FCC believes that the provisions it adopted will protect broadcast services. Broadcast groups, on the other hand, believe that operation of unlicensed devices in the “white spaces” has the potential for causing interference to broadcast reception. It is premature to judge the potential impact of what services, if any, operate under the FCC’s rules on over-the-air broadcasting.

Performance Tax. While radio broadcasters have long paid license fees to composers for the musical works they have written, radio broadcasters have never compensated musical artists for their recordings of these works. The rationale was that the radio broadcasting industry provided artists, free of charge, with a promotional service for their performance.

As the entire music industry has changed, with revenues from the sale of CDs continuing to drop dramatically, both musical artists and the recording companies have sought a change in how business is done. The recording companies, with the backing of many artists, have asked Congress to require that broadcasters pay fees for the broadcast exploitation of musical works. Such legislation received favorable committee action in Congress during 2009 and 2010, but no legislation was then enacted. Congress has not taken any subsequent actions, but the issue remains under consideration. Were such legislation to be adopted, its impact would depend on how any fees were structured.

Spectrum Policies/Incentive Auction. After studying national broadband needs, the FCC made a determination that a critical need exists to expand the spectrum available for wireless broadband services. This need is perceived to arise based on a finding that consumers and businesses will have an increasing usage of wireless devices and the associated spectrum for telephony, data transmission, and entertainment purposes. The FCC has further determined that in order to avert a spectrum crisis, it must recover and reallocate to wireless broadband a total of 500 MHz of spectrum, of which up to 120 MHz (amounting to 20 channels) are expected to come from spectrum currently allocated to television broadcasting.

In order to achieve this spectrum recovery, legislation has been enacted and the FCC established a mechanism for broadcasters to participate in a “voluntary incentive auction” in which interested station owners offer the spectrum of their stations in a “reverse auction”, providing spectrum for wireless operators to purchase in a simultaneous or future “forward auction”. Through a series of rulemaking proceedings, the FCC has established how stations will be valued, what percentage of the auction payments will go to broadcasters, and what rights, if any, will selling stations or stations agreeing to share spectrum retain following the completion of the sale of their stations and associated spectrum. Likewise, following the completion of the auction process, the FCC intends to repack the television band and this repacking may have an impact on our full-service and Class A stations as such stations may have to be relocated, and the levels of interference protection and other regulatory provisions may be altered to accommodate the reduction in available broadcast channels. The FCC has been authorized to use certain of the proceeds derived from the auction to reimburse broadcasters for certain costs associated with such repacking.

The reverse auction is now scheduled to commence on March 29, 2016. We have filed applications to participate in the reverse auction to monetize a portion of our spectrum assets. We will not know the results of the auction until the entire auction process is completed, and we will not be able to publicly communicate the preliminary results of our participation in the auction until the auction is completed, which may not be before the fourth quarter of 2016.

Any reduction in available spectrum arising from the post-auction repacking process may have a detrimental impact on low-power stations (other than Class A stations), including the loss of those in television markets where there will no longer be available spectrum to accommodate them.

#### Regulation of Digital Advertising

We are subject to many United States federal and state laws and regulations, as well as laws and regulations of other jurisdictions, applicable to businesses engaged in providing digital media advertising services. These laws potentially can affect our business to the extent they restrict our business practices, increase our cost of compliance or impose a greater risk of liability, and these laws continue to evolve.

Compliance with privacy, data protection and data security laws plays a significant role in our business. In the United States, both federal and state laws regulate activities inherent to digital advertising, including the collection and use of consumer data by us and by companies with which we do business in the course of providing digital media services. We also rely on the services of third

parties in gathering, using and storing consumer data, and these parties' compliance with applicable laws affects our own compliance status. Because we interact with consumers outside the United States and provide services to advertisers who themselves interact with those consumers, the laws of other jurisdictions may also apply to the types of services we provide. Privacy and data protection regulations have gained substantial publicity and attention in light of growing consumer expectations both for enhanced services as well as privacy, especially in light of publicized data breach incidents.

Online advertising activities in the United States primarily have been subject to regulation and enforcement by the Federal Trade Commission, or FTC, which principally relies on its enforcement authority under Section 5 of the Federal Trade Commission Act to investigate and respond to unfair and deceptive acts and practices. Section 5 has been the primary regulatory tool used to respond to claims of deceptive or inadequate privacy policies, inadequate data security practices and misuse of consumer data. The FTC's enforcement focus has included close attention to the mobile advertising industry. For example, in December 2012, the FTC adopted amendments to rules under the Children's Online Privacy Protection Act, or COPPA, which went into effect in July 2013. These amendments broaden the potential applicability of COPPA compliance obligations to our activities and those of our clients when interacting with children. California's parallel children's privacy law also has been expanded and potentially reaches consumers not covered by COPPA. By way of further example, the FTC's testimonial and endorsement guidelines were updated in late 2009 and provided additional and expanded guidance for advertising practices using endorsements, testimonials and similar content. In addition to formal rules and guidelines, the FTC's active enforcement in the digital media industry creates evolving precedent for challenging digital advertising practices as deceptive or unfair.

The FTC has devoted particular attention to businesses within the digital media channel where the FTC has determined that potentially abusive practices have occurred or are likely to occur. The FTC focuses its enforcement resources on the accuracy of consumer disclosures, data practices transparency and data aggregation. More recently, the FTC has communicated its intention to focus on the use of data to disadvantage vulnerable or minority communities, and particular attention has been paid to data brokers and aggregators of the type that may assist us in creating consumer profiles and in serving advertisements. In some circumstances, the FTC has taken the position that advertisers may be liable for the acts of channel partners and has successfully brought enforcement actions against parties based on the activities of their channel partners. This creates the possibility of enforcement risk for acts other than our own.

The FTC also has employed its Section 5 authority to take action against digital advertising businesses with regard to their data security practices and policies, even apart from its traditional enforcement of privacy regulations and standards.

State attorneys general also enforce consumer protection laws, some modeled after the Federal Trade Commission Act, in ways that affect the digital advertising industry. In addition, several states mandate specific data security measures, and 47 states and the District of Columbia enforce data breach notification laws that require notification to consumers and, in some instances, law enforcement, in the event of a covered data security incident.

In other markets we serve, the regulation of consumer practices in digital advertising is less mature. In Mexico, for example, the regulation of digital advertising largely relies on applying regulatory constraints on traditional print advertising (such as prohibitions on pornographic or politically inflammatory speech) to digital advertising.

The issue of privacy in the digital media industry is still evolving. U.S. and foreign governments have enacted, have considered or are considering legislation or regulations that could significantly restrict industry participants' ability to collect, retain, augment, analyze, use and share consumer data, such as by regulating the level of consumer notice and consent required before a company can employ "cookies" or other electronic tools to track online activities. Enforcement bodies are developing rules and enforcement standards applicable to the collection, storage and use of geolocation data, transparency of consumer data profile creation and management, and consumer access to and control over their individual online profiles and the collection of consumer data through "Internet of Things" technology. The

privacy and data security laws of Mexico, though still evolving, present a particular compliance obligation given our relationship with Mexican consumers. Mexican law mandates the application of adequate data security measures and the consent of individuals before processing their personal information.

The European Union, or EU, and its member states currently regulate digital advertising practices pursuant to Directive 95/46/EC (commonly known as the “Data Protection Directive”) and implementing national legislation. The EU is nearing completion of a comprehensive EU-wide General Data Protection regulation that will replace the current Data Protection Directive that, among other things, will govern digital advertising practices in the EU. Current and developing EU law, among other things, requires advertisers to obtain specific types of explicit notice to and consent from individuals before using cookies or other technologies to track individuals and their online behavior and deliver targeted advertisements, increases monetary penalties for non-compliance, extends the extraterritorial reach of EU data protection laws, and grants consumers the rights in some circumstances to require that their data no longer be stored or processed. It remains a possibility that additional legislation may be passed and regulations or otherwise issued in the future. Other jurisdictions similarly continue to develop enhanced data protection and security laws.

The regulation of cross-border data transfers is in a state of heightened uncertainty, with the EU having invalidated the principal means of transferring the personal data of European nationals to certain jurisdictions, particularly the United States, and the ongoing inter-governmental consultations on new transfer mechanisms.

We also participate in industry self-regulatory programs under which, in addition to other compliance obligations, we provide consumers with notice about our use of cookies and our collection and use of data in connection with the delivery of targeted advertising and allow them to opt-out from the use of data we collect for the delivery of targeted advertising. The rules and policies of the self-regulatory programs in which we participate are updated from time to time and may impose additional restrictions upon us in the future.

Additionally, in the United States and, increasingly, in other jurisdictions, consumers are provided private rights of action to file civil lawsuits, including class action lawsuits, against companies that conduct business in the digital media industry, including makers of devices that display digital media, providers of digital media, operating system providers and third party networks. Plaintiffs in these lawsuits have alleged a range of violations of federal, state and common law, including computer trespass and violation of privacy laws. Recent appellate decisions have affirmed the standing of consumers to initiate class and mass action litigation to remedy breaches of their privacy rights and injuries resulting from data breaches.

Any failure, or perceived failure, by us to comply with U.S. federal, state, or applicable international laws or regulations pertaining to privacy or data protection, or other policies, self-regulatory requirements or legal obligations could result in proceedings or actions against us by governmental entities or others, and also could result in reputational injury and/or monetary fines.

#### ITEM 1A. RISK FACTORS

If we cannot raise required capital, we may have to reduce or curtail certain existing operations.

We require significant additional capital for general working capital and debt service needs. If our cash flow and existing working capital are not sufficient to fund our general working capital and debt service requirements, we will have to raise additional funds by selling equity, issuing debt, refinancing some or all of our existing debt or selling assets or subsidiaries. None of these alternatives for raising additional funds may be available, or available on acceptable terms to us, in amounts sufficient for us to meet our requirements. In addition, our ability to raise additional funds and engage in acquisitions and divestitures is limited by the terms of the 2013 Credit Agreement. Our failure to obtain any required new financing may, if needed, require us to reduce or curtail certain existing operations.

Our substantial level of debt could limit our ability to grow and compete.

Our total indebtedness was approximately \$316.6 million as of December 31, 2015. A significant portion of our cash flow from operations is and will continue to be used to service our debt obligations, and our ability to obtain additional financing is limited by the terms of the 2013 Credit Agreement. We may not have sufficient future cash flow to meet our debt payments, or we may not be able to refinance any of our debt at maturity. We have pledged substantially all of our assets and our existing and future domestic subsidiaries to our lenders as collateral. Our lenders could proceed against the collateral to repay outstanding indebtedness if we are unable to meet our debt service obligations. If amounts outstanding under the 2013 Credit Agreement were to be accelerated, our assets may not be sufficient to repay in full the money owed to such lender.

Our substantial indebtedness could have important consequences to our business, such as:

- preventing us, under the terms of the 2013 Credit Agreement, from obtaining additional financing to grow our business and compete effectively;
- limiting our ability, as a practical matter, to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy or other purposes; and
- placing us at a disadvantage compared to those of our competitors who have less debt.

The 2013 Credit Agreement contains various covenants that limit management's discretion in the operation of our business and could limit our ability to grow and compete.

Subject to certain exceptions, the 2013 Credit Agreement contains covenants that limit our ability to, among other things:

- incur additional indebtedness or change or amend the terms of any senior indebtedness, subject to certain conditions;
- incur liens;
- dispose of certain assets;

28

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- 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 our organizational documents in any materially adverse way to the agent or the lenders.

Moreover, if we fail to comply with any of the financial covenants or ratios under the 2013 Credit Agreement, our lenders could:

- elect to declare all amounts borrowed to be immediately due and payable, together with accrued and unpaid interest; and/or
  - terminate their commitments, if any, to make further extensions of credit.

Any such action by our lenders would have a material adverse effect on our overall business and financial condition.

Historically, we have a history of losses in some periods and income in other periods, although in recent years, we have not experienced net losses. Were we to experience net losses again, our ability to comply with the 2013 Credit Agreement, including financial covenants and ratios, and continue to operate our business as it is presently conducted, could be jeopardized.

We reported net income of \$25.6 million and had positive cash flow from operations of \$62.3 million for the year ended December 31, 2015. We reported net income of \$27.1 million and had positive cash flow from operations of \$54.4 million for the year ended December 31, 2014. Additionally, as of December 31, 2015, we had an accumulated deficit of \$738.8 million. If we were to experience net losses and/or declining net revenue over a period of time, there could be an adverse effect on our liquidity and capital resources. In addition, if events or circumstances occur such that we were not able to generate positive cash flow and operate our business as it is presently conducted, we may be required to refinance our existing debt, sell assets, curtail certain operations and/or obtain additional equity or debt financing. There is no assurance that any such transactions, if required, could be consummated on terms satisfactory to us or at all. Any default under our 2013 Credit Facility, inability to renegotiate such agreements if required, obtain additional financing if needed, or obtain waivers for any failure to comply with financial covenants and ratios would have a material adverse effect on our overall business and financial condition.

Our ability to generate the significant amount of cash needed to service our indebtedness and financial obligations and our ability to refinance all or a portion of our indebtedness or obtain additional financing depends on many factors beyond our control. In addition, we may not be able to pay amounts due on our indebtedness.

As of December 31, 2015, we had outstanding total indebtedness of approximately \$316.6 million. Our ability to make payments on and refinance our indebtedness, including the amounts borrowed under our 2013 Credit Facility and other financial obligations, and to fund our operations will depend on our ability to generate substantial operating cash flow. Our cash flow generation will depend on our future performance, which is subject to many factors, including prevailing economic conditions and financial, business and other factors, many of which are beyond our control.

Our business may not generate sufficient cash flow from operations and future borrowings may not be available to us under our 2013 Credit Facility or otherwise, in amounts sufficient to enable us to service our indebtedness, including the borrowings under our 2013 Credit Facility, or to fund our other liquidity needs. If events or circumstances occur such that we are not able to generate positive cash flow and operate our business as it is presently conducted, we may be required to refinance our existing indebtedness, sell assets, curtail certain operations and/or obtain additional equity or debt financing. There is no assurance that any such transactions, if required, could be consummated on terms

satisfactory to us or at all. In addition, the current uncertain economic environment has had and may continue to have an impact on our liquidity and capital resources. Because of these and other factors beyond our control, we may be unable to pay the principal, premium (if any), interest or other amounts on our indebtedness.

Uncertain or adverse economic conditions may have a negative impact on our industry, business, results of operations or financial position.

Uncertain or adverse economic conditions could have a negative effect on the fundamentals of our business, results of operations and/or financial position. These conditions could have a negative impact on our industry or the industry of those customers who advertise on our stations, including, among others, the automotive, services, healthcare, retail, travel, restaurants, and



telecommunications industries, which provide a significant amount of our advertising revenue. There can be no assurance that we will not experience any material adverse effect on our business as a result of future economic conditions or that the actions of the United States Government, Federal Reserve or other governmental and regulatory bodies for the purpose of stimulating the economy or financial markets will achieve their intended effect. Additionally, some of these actions may adversely affect financial institutions, capital providers, advertisers or other consumers or our financial condition, results of operations or the trading price of our securities. Potential consequences of the foregoing include:

- the financial condition of companies that advertise on our stations, including, among others, those in the automotive, services, healthcare, retail, travel, restaurants, and telecommunications industries, which may file for bankruptcy protection or face severe cash flow issues, may result in a further significant decline in our advertising revenue;
  - our ability to borrow capital on terms and conditions that we find acceptable, or at all, may be limited, which could limit our ability to refinance our existing debt;
  - potential increased costs of borrowing capital if interest rates rise;
  - our ability to pursue permitted acquisitions or divestitures of television or radio assets may be limited, both as a result of these factors and, with respect to acquisitions, limitations contained in our 2013 Credit Agreement;
  - the possible further impairment of some or all of the value of our syndicated programming, goodwill and other intangible assets, including our broadcast licenses; and
  - the possibility that our lenders under the 2013 Credit Facility could refuse to fund its commitment to us or could fail, and we may not be able to replace the financing commitment of any such lender on satisfactory terms, or at all.
- Actual or perceived difficulties in the global capital and credit markets have adversely affected, and uncertain or adverse economic conditions may negatively affect, our business, as well as the industries of many of our customers, which are cyclical in nature.

Some of the markets in which our advertisers participate, such as the services, telecommunications, automotive, fast food and restaurant, and retail industries, are cyclical in nature, thus posing a risk to us which is beyond our control. Declines in consumer and business confidence and spending during and since the last recession, together with significant reductions in the availability and increases in the cost of credit and volatility in the capital and credit markets, have adversely affected the business and economic environment in which we operate and can affect the profitability of our business. Our business is significantly exposed to risks associated with the creditworthiness of our key advertisers and other strategic business partners. These conditions have resulted, and could again result, in financial instability or other adverse effects at many of our advertisers and other strategic business partners. The consequences of such adverse effects could include the delay or cancellation of customer advertising orders, cancellation of our programming and termination of facilities that broadcast or re-broadcast our programming. The recurrence of any of these conditions may adversely affect our cash flow, profitability and financial condition. Although the markets have improved since the depths of the last recession, the overall economic recovery has continued to be uneven. Future disruption of the credit markets, increases in interest rates and/or sluggish economic growth in future periods could adversely affect our customers' access to or cost of credit, which supports the continuation and expansion of their businesses, and could result in advertising cancellations or suspensions, payment delays or defaults by our customers.

Current uncertain economic conditions may affect our financial performance or our ability to forecast our business with accuracy.

Our operations and performance depend primarily on U.S. and, to a lesser extent, international economic conditions and their impact on purchases of advertising by our customers. As a result of the global financial crisis that began in 2008, which was experienced on a broad and extensive scope and scale, and the last recession in the United States, general economic conditions deteriorated significantly, and the economic recovery since that time has been uneven. Economic conditions may remain uncertain for the foreseeable future. We believe that this general economic uncertainty may continue in future periods, as our customers alter their purchasing activities in response to the new economic reality, and, among other things, our customers may change or scale back future purchases of advertising.

This uncertainty may also affect our ability to prepare accurate financial forecasts or meet specific forecasted results. If we are unable to adequately respond to or forecast further changes in demand for advertising, our results of operations, financial condition and business prospects may be materially and adversely affected.

Cancellations or reductions of advertising could adversely affect our results of operations.

We do not obtain long-term commitments from our advertisers, and advertisers may cancel, reduce or postpone orders without penalty. We have experienced cancellations, reductions or delays in purchases of advertising from time to time in the past and more regularly during the recent global financial crisis and recession. These have affected, and could continue to affect, our revenue and results of operations, especially if we are unable to replace such advertising purchases. Many of our expenses are based, at least in

part, on our expectations of future revenue and are therefore relatively fixed once budgeted. Therefore, weakness in advertising sales would adversely impact both our revenue and our results of operations.

Our advertising revenue can vary substantially from period to period based on many factors beyond our control, including but not limited to those discussed above. This volatility affects our operating results and may reduce our ability to repay indebtedness or reduce the market value of our securities.

We rely on sales of advertising time for most of our revenues and, as a result, our operating results are sensitive to the amount of advertising revenue we generate. If we generate less revenue, it may be more difficult for us to repay our indebtedness and the value of our business may decline. Our ability to sell advertising time depends on:

- the levels of advertising, which can fluctuate between and among industry groups and in general, based on industry and general economic conditions;
- the health of the economy in the area where our television and radio stations are located and in the nation as a whole;
- the popularity of our programming and that of our competition;
- changes in the makeup of the population in the areas where our stations are located;
- the activities of our competitors, including increased competition from other forms of advertising-based mediums, such as other broadcast television stations, radio stations, MVPDs and Internet and broadband content providers serving in the same markets; and
- other factors that may be beyond our control.

Changes in our accounting estimates and assumptions could negatively affect our financial position and operating results.

We prepare our financial statements in accordance with generally accepted accounting principles, or GAAP. GAAP requires us to make estimates and assumptions that affect the reported amounts of our assets and liabilities, the disclosure of contingent assets and liabilities, and our financial statements. We are also required to make certain judgments that affect the reported amounts of revenue and expenses during each reporting period. We periodically evaluate our estimates and assumptions, including those relating to the valuation of intangible assets, investments, income taxes, stock-based compensation, claims handling obligations, retirement plans, reserves, litigation and contingencies. We base our estimates on historical experience and various assumptions that we believe to be reasonable at the time we make those assumptions, based on specific circumstances. Actual results could differ materially from our estimated results. Additionally, changes in accounting standards, assumptions or estimates may have an adverse impact on our financial position, results of operations and cash flows.

The terms of any additional equity or convertible debt financing could contain terms that are superior to the rights of our existing security holders.

Depending upon our future results of operations, ability to further reduce costs as necessary and comply with our financing agreements, including financial covenants and ratios, we may require additional equity or debt financing. If future funds are raised through issuance of stock or convertible debt, these securities could have rights, privileges and preference senior to those of common stock. The sale of additional equity securities or securities convertible into or exchangeable for equity securities could also result in dilution to our current stockholders. There can be no assurance that additional financing, if required, will be available on terms satisfactory to us or at all.

Any failure to maintain our FCC broadcast licenses could cause a default under our 2013 Credit Facility and cause an acceleration of our indebtedness.

Our 2013 Credit Facility requires us to maintain our FCC licenses. If the FCC were to revoke any of our material licenses, our lender could declare all amounts outstanding under the 2013 Credit Facility to be immediately due and payable. If our indebtedness is accelerated, we may not have sufficient funds to pay the amounts owed.

We have a significant amount of goodwill and other intangible assets and we may never realize the full value of our intangible assets. Although we have not recorded impairment of our television assets since 2010, we recorded an impairment of our radio goodwill in 2014.

Goodwill and intangible assets totaled \$287 million and \$291 million at December 31, 2015 and 2014, respectively, primarily attributable to acquisitions in prior years. At the date of these acquisitions, the fair value of the acquired goodwill and intangible assets equaled its book value.

Goodwill and indefinite life intangible assets are tested annually on October 1 for impairment, or more frequently if events or changes in circumstances indicate that our assets might be impaired. Such circumstances may include, among other things, a significant decrease in our operating performance, decrease in prevailing broadcast transaction multiples, deterioration in broadcasting industry revenues, adverse market conditions, a significant decrease in our market capitalization, 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. 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.

In 2014, we recorded an impairment of our radio goodwill in the amount of \$0.7 million. As of December 31, 2015 and 2014 we do not have any goodwill in our radio reporting unit.

Univision's ownership of our Class U common stock may make some transactions difficult or impossible to complete without Univision's support.

Univision is the holder of all of our issued and outstanding Class U common stock. Although the Class U common stock has limited voting rights and does not include the right to elect directors, we may not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate or dispose of any interest in any FCC license for any of our Univision-affiliated television stations, among other things. Univision's ownership interest may have the effect of delaying, deterring or preventing a change in control and may make some transactions more difficult or impossible to complete without Univision's support or due to Univision's then-existing media interests in applicable markets.

If our affiliation or other contractual relationships with Univision or Univision's programming success change in an adverse manner, it could negatively affect our television ratings, business, revenue and results of operations.

Our affiliation and other contractual relationships with Univision have a significant impact on our business, revenue and results of operations of our television stations. If our affiliation agreement or another contractual relationship with Univision were terminated, or if Univision were to stop providing programming to us for any reason and we were unable to obtain replacement programming of comparable quality, it could have a material adverse effect on our business, revenue and results of operations. We regularly engage in discussions with Univision regarding various matters relating to our contractual relationships. If Univision were to not continue to provide programming, marketing, available advertising time and other support to us on the same basis as currently provided, or if our affiliation agreement or another contractual relationship with Univision were to otherwise change in an adverse manner, it could have a material adverse effect on our business, revenue and results of operations.

Our television stations compete for audiences and advertising revenue primarily on the basis of programming content and advertising rates. Audience ratings are a key factor in determining our television advertising rates and the revenue that we generate. If Univision's programming success or ratings were to decline, it could lead to a reduction in our advertising rates and advertising revenue on which our television business depends. Univision's relationships with Televisa and Venevision are important to Univision's, and consequently our, continued success. If Televisa were to stop providing programming to Univision for any reason, and Univision were unable to provide us with replacement programming of comparable quality, it could have a material adverse effect on our business and results of operations. Additionally, by aligning ourselves closely with Univision, we might forego other opportunities that could diversify our television programming and avoid dependence on Univision's television networks.

Our Chief Executive Officer currently has control of our company, giving him the ability to determine the outcome of most actions by our company and its stockholders, including the election of all of our company's directors.

As of March 4, 2016, Walter F. Ulloa, and stockholders affiliated with him, collectively hold approximately 53.7% of the voting power of our common stock. Under Delaware law, these stockholders, by themselves, have the power to elect all the directors of our company and determine the outcome of most matters placed before the stockholders for action.

Stockholders who desire to change control of our company may be prevented from doing so by provisions of our second amended and restated certificate of incorporation and the agreement that governs our 2013 Credit Facility. In addition, other agreements contain provisions that could discourage a takeover.

Our Second Amended and Restated Certificate of Incorporation, or our certificate of incorporation, could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. The provisions of our certificate of incorporation could diminish the opportunities for a stockholder to participate in tender offers. In addition, under our certificate of incorporation, our board of directors may issue preferred stock on terms that could have the effect of delaying or preventing a change in control of our

company. The issuance of preferred stock could also negatively affect the voting power of holders of our common stock. The provisions of our certificate of incorporation may have the effect of discouraging or preventing an acquisition or sale of our business.

In addition, the 2013 Credit Agreement contains limitations on our ability to enter into a change of control transaction. Under the 2013 Credit Agreement, the occurrence of a change of control would constitute an event of default permitting acceleration of our outstanding indebtedness.

We operate in highly competitive industries subject to changing technologies, and we may not be able to compete successfully.

We operate in highly competitive industries. Our television stations, radio stations and digital media platforms compete for audiences and advertising with other television stations, radio stations and digital media platforms, as well as with other forms of media. Advances in technologies or alternative methods of content delivery, as well as changes in audience or advertiser expectations driven by changes in these or other technologies and methods of content delivery, could have a negative effect on our business. Examples of such advances in technologies include video-on-demand, satellite radio, video games, text messaging, streaming video and downloaded content from mobile phones, tablets and other personal video and audio devices. For example, devices that allow users to view or listen to television or radio programs on a time-shifted basis, and technologies which enable users to fast-forward or skip advertisements altogether, such as DVRs, the Dish Network Hopper and mobile devices, are causing changes in consumer behavior that could affect the perceived attractiveness of our services to advertisers, and could adversely affect our advertising revenue and our results of operations. In addition, further increases in the use of mobile devices which allow users to view or listen to content of their own choosing, in their own time, while avoiding traditional commercial advertisements, could adversely affect our advertising revenue and our results of operations. Additionally, cable providers, direct-to-home satellite operators, and other sources are developing services (known as “over-the-top” services) that allow them to transmit targeted programming over the Internet to audiences, potentially leading to increased competition for viewers in our markets. New technologies and methods of buying advertising present an additional competitive challenge, as competitors offer products and services such as the ability to purchase advertising programmatically or bundled offline and online advertising, aimed at capturing advertising spend that previously went to broadcasters.

Our inability, for technological, business or other reasons, to adapt to changes in technology on a timely and effective basis, exploit new sources of revenue from these changes, or to enhance, develop, introduce and deliver compelling advertising solutions in response to changing market conditions and technologies or evolving expectations of advertisers may affect our business prospects and results of operations.

Legislation and regulation of digital media businesses, including privacy and data protection regimes, could create unexpected costs, subject us to enforcement actions for compliance failures, or cause us to change our digital media technology platform or business model.

U.S. and foreign governments have enacted, considered or are currently considering legislation or regulations that relate to digital advertising, including, for example, the online collection and use of anonymous user data and unique device identifiers, such as IP address or unique mobile device identifiers, geo-location data and other privacy and data protection regulation. Such legislation or regulations could affect the costs of doing business online, and could reduce the demand for our digital solutions or otherwise harm our digital operations. For example, a wide variety of state, national and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer and other processing of personal data. While we take measures to protect the security of information that we collect, use and disclose in the operation of our business, such measures may not always be effective. Data protection and privacy-related laws and regulations are evolving and could result in ever-increasing regulatory and public scrutiny and escalating levels of enforcement and sanctions. In addition, it is possible that these laws and regulations may be interpreted and applied in a manner that is inconsistent from one jurisdiction to another and may conflict with other

rules or our business practices. Any failure, or perceived failure, by us to comply with U.S. federal, state, or international laws, including laws and regulations governing privacy, data security or consumer protection, could result in proceedings against us by governmental entities, consumers or others. Any such proceedings could force us to spend significant amounts in defense of these proceedings, distract our management, result in fines or require us to pay significant monetary damages, damage our reputation, adversely affect the demand for our services, increase our costs of doing business or otherwise cause us to change our business practices or limit or inhibit our ability to operate or expand our digital operations.

We may be subject to intellectual property rights claims by third parties, which may be extremely costly to defend, could require us to pay significant damages and could limit our ability to use certain technologies.

Third parties may assert claims of infringement of intellectual property rights in proprietary technology against us for which we may be liable. Any claim of infringement by a third party, even those without merit, could cause us to incur substantial costs defending against the claim and could distract our management from operating our business. Although third parties may offer a license to their technology, the terms of any offered license may not be acceptable and the failure to obtain a license or the costs associated with any license could cause our business, financial condition and results of operations to be materially and adversely affected. In



addition, some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. Alternatively, we may be required to develop non-infringing technology, which could require significant effort and expense and ultimately may not be successful. Furthermore, a successful claimant could secure a judgment or we may agree to a settlement that prevents us from distributing certain products or performing certain services or that requires us to pay substantial damages, including treble damages if we are found to have willfully infringed such claimant's patents or copyrights, royalties or other fees. Any of these events could seriously harm our business financial condition and results of operations.

If we cannot renew our FCC broadcast licenses, our broadcast operations would be impaired.

Our television and radio businesses depend upon maintaining our broadcast licenses, which are issued by the FCC. The FCC has the authority to renew licenses, not renew them, renew them only with significant qualifications, including renewals for less than a full term, or revoke them. Although we have to date renewed all our FCC licenses in the ordinary course, we cannot assure investors that our future renewal applications will be approved, or that the renewals will not include conditions or qualifications that could adversely affect our operations. Failing to renew any of our stations' main licenses would prevent us from operating the affected stations, which could materially adversely affect our business, financial condition and results of operations. If we renew our licenses with substantial conditions or modifications (including renewing one or more of our licenses for less than the standard term of eight years), it could have a material adverse effect on our business, financial condition and results of operations.

Displacement of any of our low-power television stations (other than Class A stations) could cause our ratings and revenue for any such station to decrease.

We own and operate a number of television stations in the FCC's low-power television service. Our low-power television stations operate with less power and coverage than our full-power stations. The FCC rules under which we operate provide that low-power television stations (but not our Class A television stations) are treated as a secondary service. If any or all of our low-power stations are found to cause interference to full-power stations or sufficient channels become unavailable to accommodate incumbent broadcast television stations, owing to the relocation of full-power stations to fewer channels as part of the incentive auction repacking process, we could be required to eliminate the interference or terminate service. In a few urban markets where we operate, including San Diego, there are a limited number of alternative channels to which our low-power television stations can migrate. If, as a result of the elimination of part of the broadcast spectrum or otherwise, as part of the incentive auction and repacking process, we are unable to move the signals of our low-power television stations to replacement channels, or such channels do not permit us to maintain the same level of service, we may be unable to maintain the viewership these stations currently have, which could harm our ratings and advertising revenue or, in the worst case, cause us to discontinue operations at these low-power television stations.

Because our full-power television stations rely on retransmission consent rights to obtain cable carriage, new laws or regulations that eliminate or limit the scope of our cable carriage rights or affect how we negotiate our agreements, could have a material adverse impact on our television operations.

We no longer rely on "must carry" rights to obtain the retransmission of our full-power television stations on MVPDs. New laws or regulations could affect retransmission consent rights and the negotiating process between broadcasters and MVPDs and this may affect our negotiating strategies and the economic results we achieve in such negotiations.

Our low-power television stations do not have MVPD "must carry" rights. Some of our low-power television stations are carried on cable systems as they provide broadcast programming the cable systems desire and are part of the retransmission consent agreements we are party to. Where MVPDs are not contractually required to carry our low-power stations, we may face future uncertainty with respect to the availability of MVPD carriage for our low-power stations.

We are a party to various retransmission consent agreements that may be terminated or not extended following their current termination dates.

If our retransmission consent agreements are terminated or not extended following their current termination dates, our ability to reach MVPD subscribers and, thereby, compete effectively, may be adversely affected, which could adversely affect our business, financial condition and results of operations.

Retransmission consent revenue may not continue to grow at recent rates and are subject to reverse network compensation.

While we expect the amount of revenues generated from our retransmission consent agreements to continue to grow in the near-term and beyond, the rate of growth of such revenue may not continue at recent and current rates and may be detrimentally affected by network program suppliers seeking reverse network compensation and the growing concentration in the cable television industry that may result in the amounts that cable operators are willing to pay for programming.

Carriage of our signals on DBS services is subject to DBS companies providing local broadcast signals in the television markets we serve and our decision as to the terms upon which our signals will be carried.

SHVIA allowed DBS television companies, which are currently DirecTV and Dish Network, to transmit local broadcast television station signals back to their subscribers in local markets. In exchange for this privilege, however, SHVIA required that in television markets in which a DBS company elects to pick up and retransmit any local broadcast station signals, the DBS provider must also offer to its subscribers signals from all other qualified local broadcast television stations in that market. Our broadcast television stations in markets for which DBS operators have elected to carry local stations have previously obtained carriage under this “carry one/carry all” rule.

SHVIA expired in 2004 and Congress adopted SHVERA, which expired in 2009, but was extended in May 2010 by STELA. STELA and STELAR provide further five-year extensions, now until 2019, of the “carry one/carry all” rule earlier adopted in SHVIA and SHVERA. To the extent we have decided to secure our carriage on DBS through retransmission consent agreements, the “carry one/carry all” rule no longer is relevant to us.

Changes in the FCC’s ownership rules could lead to increased market power for our competitors or could place limits on our ability to acquire stations in certain markets.

As required by the Communications Act and as the regulator of over-the-air broadcasting, the FCC, both on a quadrennial basis and in individual proceedings, continues to review its policies for the ownership of both radio and television stations. To date, however, only a reduction in the nationwide television cap, to 39% of the viewing public, has been the subject of federal legislation. The impact of changes in the FCC’s rules as to how many stations a party may own, operate and/or control, depends on whether the FCC expands its ownership limits, as it has done in the past, or adopts new limits on ownership, as it has also done as in the case of time brokerage agreements. In the case of the former, expanding ownership limits could result in our competitors’ ability to increase their ownership presence in the markets in which we operate. In the case of the latter, we may be unable to acquire stations in markets where additional station ownership would enable us to achieve operating efficiencies or grow our broadcasting business.

We rely on over-the-air spectrum which might be taken away, returned back to the FCC in an auction context, or be subject to other modifications (including repacking) pursuant to an FCC-sanctioned process.

Our television business operates through over-the-air transmission of broadcast signals. These transmissions are authorized under licenses issued to our stations by the FCC. The current electromagnetic spectrum is finite and certain parts of the spectrum are better than others owing to the ability of electromagnetic signals to penetrate buildings. This is the portion of the spectrum where broadcast stations operate.

With the advent of mobile wireless communications and its use not only for voice but for broadband distribution, the need for spectrum has grown. The FCC seeks to increase the amount of spectrum available for use by wireless broadband services at the expense of over-the-air broadcast services. Available sources of such spectrum are limited and the spectrum allotted for television broadcasting as a source for such spectrum repurposing has been identified as containing spectrum that the FCC seeks to recover in part and made available for wireless broadband use, through the incentive auction process. The FCC has been required by statute to undertake and is doing so through the incentive auction rules it adopted, any such repurposing in a manner such that its application to full-service and Class A television stations will be voluntary and television broadcasters will not be required to return their existing spectrum. However, it cannot be certain how the FCC’s efforts to secure additional spectrum for mobile wireless communications and the incentive auction, including the results of our participation in the incentive auction process, and repacking processes that accompany the redistribution of broadcast spectrum will affect television broadcasting, in general, and our operations, in particular, as they remain dependent on the auction process, the repacking of broadcast spectrum, and the actions of broadcasters in responding to the new, altered spectrum environment.

There are significant political, legal and technical issues to overcome and be considered by us before changes in spectrum use may occur. The loss of spectrum could have a significant impact on our television business as would the sale or auction of spectrum or the modification of the available spectrum. We are giving consideration to all of the implications of the expected changes in how spectrum will be made available for broadcasting.

35

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#### Available Information

We make available free of charge on our corporate website, [www.entravisision.com](http://www.entravisision.com), the following reports, and amendments to those reports, filed or furnished pursuant to Sections 13(a) or 15(d) of the Exchange Act, as soon as reasonably practicable after we electronically file such material with, or furnish it to, the SEC:

- our annual report on Form 10-K;
- our quarterly reports on Form 10-Q; and
- our current reports on Form 8-K.

The information on our website is not, and shall not be deemed to be, a part of this report or incorporated by reference into this or any other filing we make with the SEC.

#### ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

#### ITEM 2. PROPERTIES

Our corporate headquarters are located in Santa Monica, California. We lease approximately 16,000 square feet of space in the building housing our corporate headquarters under a lease expiring in 2021. We also lease approximately 41,000 square feet of space in the building housing our radio network headquarters in Los Angeles, California, under a lease expiring in 2026.

The types of properties required to support each of our television stations, radio stations and digital operations typically include offices, broadcasting studios and antenna towers where broadcasting transmitters and antenna equipment are located. The majority of our office, studio and tower facilities are leased pursuant to long-term leases. We also own the buildings and/or land used for office, studio and tower facilities at certain of our television and/or radio properties. We own substantially all of the equipment used in our television and radio broadcasting business. We believe that all of our facilities and equipment are adequate to conduct our present operations. We also lease certain facilities and broadcast equipment in the operation of our business. See Note 11 to Notes to Consolidated Financial Statements.

#### ITEM 3. 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 4. MINE SAFETY DISCLOSURES

Not applicable.

## PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS  
AND ISSUER PURCHASES OF EQUITY SECURITIES

Our Class A common stock has been listed and traded on The New York Stock Exchange since August 2, 2000 under the symbol "EVC." The following table sets forth the range of high and low sales prices reported by The New York Stock Exchange for our Class A common stock for the periods indicated:

	High	Low
Year Ending December 31, 2014		
First Quarter	\$7.36	\$5.53
Second Quarter	\$6.77	\$4.27
Third Quarter	\$6.55	\$3.84
Fourth Quarter	\$7.72	\$3.88
Year Ending December 31, 2015		
First Quarter	\$7.30	\$5.87
Second Quarter	\$8.65	\$6.15
Third Quarter	\$8.68	\$6.30
Fourth Quarter	\$9.55	\$6.43

As of March 4, 2016, there were approximately 132 holders of record of our Class A common stock. We believe that the number of beneficial owners of our Class A common stock substantially exceeds this number.

## Performance Graph

The following graph, which was produced by Research Data Group, Inc., depicts our performance for the period from December 31, 2010 through December 31, 2015, as measured by total stockholder return calculated on a dividend reinvestment basis, on our Class A common stock compared with the total return of the S&P 500 Index and the S&P Broadcasting & Cable TV Index. This graph assumes \$100 was invested in each of our Class A Common Stock, the S&P 500 Index and the S&P Broadcasting & Cable TV Index as of the market close on December 31, 2010. Upon request, we will furnish to stockholders a list of the component companies of such indices.

We caution that the stock price performance shown in the graph below should not be considered indicative of potential future stock price performance.

Index	Period Ending					
	12/31/10	12/31/11	12/31/12	12/31/13	12/31/14	12/31/15
Entravision Communications Corporation	100.00	62.81	72.21	270.57	292.79	353.51
S&P 500	100.00	102.11	118.45	156.82	178.28	180.75
S&P Broadcasting	100.00	115.97	169.21	265.83	223.14	182.59

## Dividend Policy

We paid a cash dividend on our Class A, Class B, and Class U common stock of \$0.025 per share during each of the first three quarters of 2015, and \$0.03125 per share during the fourth quarter of 2015. We paid a cash dividend on our Class A, Class B, and Class U common stock of \$0.025 per share each quarter during 2014. We paid a cash dividend on our Class A, Class B, and Class U common stock of \$0.125 per share on December 30, 2013, consisting of a quarterly dividend of \$0.025 per share and a special dividend of \$0.10 per share. We currently anticipate making cash dividends on a quarterly basis in future periods. Any decision to pay future cash dividends will be subject to further approval by the Board. Our future dividend policy, including the amount of any dividend, will depend on factors considered relevant in the discretion of the Board of Directors, which may include, among other



things, our earnings, capital requirements and financial condition. In addition, the 2013 Credit Agreement places certain restrictions on our ability to pay dividends on any class of our common stock.

#### Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2015:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders:			
Incentive Stock Plans (1)	5,136,199	(2) \$ 2.35	(3) 6,246,473
Employee Stock Purchase Plan	N/A	(4) N/A	(4) 3,997,062
Total	5,136,199	\$ 2.35	10,243,535

(1) Represents information with respect to both our 2000 Omnibus Equity Incentive Plan and our 2004 Equity Incentive Plan. No options, warrants or rights have been issued other than pursuant to these plans.

(2) Includes an aggregate of 1,713,949 restricted stock units.

(3) Weighted average exercise price of outstanding options; excludes restricted stock units.

(4) Our 2001 Employee Stock Purchase Plan, or ESPP, permits full-time employees to have payroll deductions made to purchase shares of our Class A common stock during specified purchase periods. The purchase price is the lower of 85% of (1) the fair market value per share of our Class A common stock on the last business day before the purchase period begins and (2) the fair market value per share of our Class A common stock on the last business day of the purchase period. Consequently, the price at which shares will be purchased for the purchase period currently in effect is not known. We suspended the ESPP in 2009.

#### Issuer Purchases of Equity Securities

On August 18, 2014, our Board of Directors approved a share repurchase program of up to \$10.0 million of the Company's outstanding common stock. On November 25, 2014, our Board of Directors approved an extension of the share repurchase program with a repurchase authorization of up to an additional \$10.0 million of the Company's outstanding common stock, for a total repurchase authorization of up to \$20.0 million. Under the share repurchase program we are authorized to purchase shares from time to time through open market purchases or negotiated purchases, subject to market conditions and other factors. The stock repurchase program may be suspended or discontinued at any time without prior notice.

We did not repurchase any shares of Class A common stock during 2015. As of December 31, 2015, we repurchased to date a total of approximately 2.5 million shares of Class A common stock at an average price of \$5.08 since the beginning of this program, for an aggregate purchase price of approximately \$12.5 million. All repurchased shares were retired as of December 31, 2014.



## ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below with respect to our consolidated statements of operations for the years ended December 31, 2015, 2014 and 2013 and with respect to our consolidated balance sheets as of December 31, 2015 and 2014 have been derived from our audited consolidated financial statements which are included elsewhere herein. The consolidated statement of operations data for the years ended December 31, 2012 and 2011 and the consolidated balance sheet data as of December 31, 2013, 2012 and 2011 have been derived from our audited consolidated financial statements not included herein.

The selected consolidated financial data set forth below is qualified in its entirety by, and should be read in conjunction with both, Item 7 “Management’s Discussion and Analysis of Financial Condition and Results of Operations” of this annual report on Form 10-K and the consolidated statements and the notes to those consolidated financial statements included in Item 8 “Financial Statements and Supplementary Data” of this annual report on Form 10-K.

(In thousands, except share and per share data)

	Years Ended December 31,				
	2015	2014	2013	2012	2011
<b>Statements of Operations Data:</b>					
Net revenue	\$254,134	\$242,038	\$223,916	\$223,253	\$194,396
Cost of revenue - digital media	7,242	2,993	-	-	-
Direct operating expenses	110,323	104,874	101,419	92,256	88,590
Selling, general and administrative expenses	42,815	37,806	33,823	37,818	36,511
Corporate expenses	22,520	21,301	19,771	17,976	15,669
Depreciation and amortization	15,989	14,663	14,953	16,426	18,653
Impairment charge	—	735	—	—	—
	198,889	182,372	169,966	164,476	159,423
Operating income	55,245	59,666	53,950	58,777	34,973
Interest expense	(13,047 )	(13,904 )	(24,631 )	(35,407 )	(37,650 )
Interest income	45	50	44	86	3
Other income (loss)	—	—	—	—	687
Gain (loss) on debt extinguishment	(204 )	(246 )	(29,675 )	(3,743 )	(423 )
Income (loss) before income taxes	42,039	45,566	(312 )	19,713	(2,410 )
Income tax (expense) benefit	(16,414 )	(18,444 )	134,137	(6,112 )	(5,790 )
Net income (loss)	\$25,625	\$27,122	\$133,825	\$13,601	\$(8,200 )
Net income (loss) per share, basic	\$0.29	\$0.31	\$1.53	\$0.16	\$(0.10 )
Net income (loss) per share, diluted	\$0.28	\$0.30	\$1.50	\$0.16	\$(0.10 )
Cash dividends declared per common share, basic	\$0.11	\$0.10	\$0.13	\$0.12	\$0.06
Cash dividends declared per common share, diluted	\$0.10	\$0.10	\$0.12	\$0.12	\$0.06
Weighted average common shares outstanding, basic	87,920,230	88,680,322	87,401,123	85,882,646	85,051,066
Weighted average common shares outstanding, diluted	90,295,185	90,943,734	89,338,696	86,314,206	85,051,066
	Years Ended December 31,				
	2015	2014	2013	2012	2011
<b>Other Data:</b>					

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Capital expenditures	\$ 13,548	\$ 9,111	\$ 9,748	\$ 9,900	\$ 8,218
Balance Sheet Data:					
Cash and cash equivalents	\$ 47,924	\$ 31,260	\$ 43,822	\$ 36,130	\$ 58,719
Total assets	528,188	527,767	538,237	438,051	467,321
Long-term debt, including current portion	316,563	340,313	364,063	340,814	379,662
Total stockholders' equity (deficit)	\$ 167,273	\$ 145,558	\$ 136,024	\$ 5,401	\$(561 )

40

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## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion of our consolidated results of operations and cash flows for the years ended December 31, 2015, 2014 and 2013 and consolidated financial condition as of December 31, 2015 and 2014 should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this document.

### OVERVIEW

We are a leading media company that reaches and engages Hispanics in the United States and certain border markets of Mexico across media channels and advertising platforms. Our expansive portfolio encompasses integrated marketing and media solutions, comprised of television, radio and digital properties and data analytics services. We operate in three reportable segments based upon the type of advertising medium: television broadcasting, radio broadcasting and digital media. Through June 30, 2014, we operated in two reportable segments, television broadcasting and radio broadcasting. On June 18, 2014, we acquired Pulpo, a leading provider of digital advertising services and solutions focused on Hispanics in the U.S. and Mexico. Beginning with the third quarter of 2014, we separated the results of Pulpo into a new reporting segment, digital media. We believe that this information regarding our digital media segment is useful to readers of our financial statements. Our net revenue for the year ended December 31, 2015 was \$254.1 million. Of that amount, revenue attributed to our television segment accounted for 63%, revenue attributed to our radio segment accounted for 30%, and revenue attributed to our digital media segment accounted for 7%.

As of the date of filing this report, we own and/or operate 56 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, 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 own and operate a national sales representation firm, Entravision Solutions, through which we sell advertisements and syndicate radio programming to approximately 350 stations across the United States. We also own and operate an online advertising platform that delivers digital advertising in a variety of formats to reach Hispanic audiences on Internet-connected devices.

We generate revenue primarily from sales of national and local advertising time on television stations, radio stations and digital media platforms, and from retransmission consent agreements that are entered into with MVPDs. 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 and when display or other digital advertisements record impressions on the websites of our third party publishers. 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 our industry and are due primarily to variations in advertising expenditures by both local and national advertisers. In addition, advertising revenue is generally higher during presidential election years (2016, 2020, etc.) resulting from political advertising.

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.

We also generate revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. Revenue from such agreements is recognized when we have relinquished all rights to operate the station on the existing channel free from interference to the telecommunications operators.

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. In addition, cost of revenue related to our digital media segment consists primarily of the costs of online media acquired from third-party publishers.

#### Highlights

During 2015, we achieved revenue growth despite challenging comparisons to 2014, when we benefited from World Cup, which was absent in 2015, and significant political advertising revenue, which was not material in 2015. This revenue growth was primarily driven by our radio and digital media segments, and retransmission consent revenue in our television segment. Net revenue increased to \$254.1 million, an increase of \$12.1 million, from \$242.0 million in 2014. Our audience shares remain strong in the nation's most densely populated Hispanic markets, and we believe we are well positioned to benefit as the U.S. Hispanic market continues to expand and advertisers increasingly recognize the importance of reaching our target audience.

Net revenue for our television segment decreased to \$159.1 million in 2015, from \$165.5 million in 2014. This decrease of \$6.4 million, or 4%, was primarily due to the absence of World Cup and significant political advertising revenue in 2015 compared to 2014, partially offset by an increase of approximately \$10.5 million of revenue associated with television station channel modifications made by the Company in order to accommodate the operations of a telecommunications operator, and an increase in retransmission consent revenue. We generated a total of \$27.9 million and \$26.4 million in retransmission consent revenue in 2015 and 2014, respectively. We anticipate that retransmission consent revenue for the full year 2016 will be greater than it was for the full year 2015 and will continue to be a growing source of net revenues in future periods.

Net revenue for our radio segment increased to \$76.2 million in 2015, from \$69.9 million in 2014. This increase of \$6.3 million, or 9%, was primarily due to increases in local and national advertising revenue, partially offset by the absence of World Cup and significant political advertising revenue in 2015 compared to 2014.

Net revenue in our digital media segment increased to \$18.9 million in 2015, from \$6.6 million in 2014. Because we created the digital media segment in the third quarter of 2014, comparisons to the year ended December 31, 2014 are not meaningful.

#### Relationship with Univision

Substantially all of our television stations are Univision- or UniMás-affiliated television stations. Our network affiliation agreements with Univision provide certain of our owned stations the exclusive right to broadcast Univision's primary network and 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 our consent. Under our Univision network affiliation agreement, we retain the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under our UniMás network affiliation agreement, we retain the right to sell approximately four and a half minutes per hour of the available advertising time the UniMás network, subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as our exclusive third-party 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.

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

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and we have extended through March 31, 2016. 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. During the years ended December 31, 2015 and 2014, retransmission consent revenue accounted for approximately \$27.9 million and \$26.4 million, respectively. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

Univision currently owns approximately 10% of our common stock on a fully-converted basis. Our Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. As the holder of all of our issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, we may not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate our Company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of our Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of 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.

#### Acquisitions and Dispositions

On June 18, 2014, we completed the acquisition of 100% of the common stock of Pulpo, a leading provider of digital advertising services and solutions focused on Hispanics in the U.S. and Mexico. The Company acquired Pulpo in order to acquire an additional digital media platform that the Company believes will enhance its offerings to the U.S. Hispanic market. The transaction was funded from the Company's cash on hand, for an aggregate cash consideration of \$15.0 million, net of cash acquired of \$0.7



million, and contingent consideration with a fair value of \$1.4 million as of the acquisition date. The fair value of the contingent consideration recognized on the acquisition date was estimated by applying the real options approach.

The following is a summary of the purchase price allocation for the acquisition of Pulpo (in millions):

Accounts receivable	\$ 1.6
Prepays and other assets	0.1
Property and equipment	0.5
Intangible assets subject to amortization	3.4
Goodwill	14.1
Current liabilities	(1.8 )
Deferred income taxes	(1.5 )

The acquisition of Pulpo includes a contingent consideration arrangement that requires additional consideration to be paid by the Company to Pulpo if certain annual performance benchmarks are achieved over a three-year period. Any such additional consideration is payable 90 days after each fiscal year end beginning December 31, 2014. The range of the total undiscounted amounts the Company could pay under the contingent consideration agreement over the three-year period is between \$0 and \$3.0 million. As of December 31, 2014, the Company determined that Pulpo was less likely to earn the full amount of the contingent consideration for the years 2015 and 2016. Therefore, the Company adjusted the fair value of the contingent consideration in the fourth quarter of 2014 to \$1.3 million. Performance targets were achieved for the year ended December 31, 2014, and, accordingly, a payment of \$1.0 million was made to the sellers in the first quarter of 2015. In the second quarter of 2015, the Company determined that Pulpo was not likely to earn any amount of the contingent consideration for the fiscal year 2015. Therefore, the Company adjusted the fair value of the contingent consideration in the second quarter of 2015 to \$0.1 million. In the fourth quarter of 2015, the Company determined that Pulpo was not likely to earn any amount of the contingent consideration for the fiscal year 2016. Therefore, the Company further adjusted the fair value of the contingent consideration in the fourth quarter of 2015 to \$0. The adjustments are included in corporate expense in the accompanying consolidated statements of operations.

The fair value of the assets acquired includes trade receivables of \$1.6 million. The gross amount due under contract is \$1.7 million, of which \$0.1 million is expected to be uncollectable.

The goodwill, which is not expected to be deductible for tax purposes, is assigned to the digital media segment and is attributable to Pulpo's workforce and expected synergies from combining Pulpo's operations with the Company's.

Pro forma results of operations for this acquisition have not been presented because the effect of this acquisition was not material to the Company's financial position or results of operations for any of the periods presented.

In a strategic effort to focus our resources on strengthening existing clusters and expanding into new U.S. Hispanic markets and subject to limitations contained in our amended Credit Agreement, we periodically review our portfolio of media properties and, from time to time, consider divesting assets in markets where we do not see the opportunity to grow to scale and build out media clusters. Please see "Liquidity and Capital Resources" below.

## RESULTS OF OPERATIONS

Separate financial data for each of the Company's operating segments is provided below. Segment operating profit (loss) is defined as operating profit (loss) before corporate expenses, loss (gain) on sale of assets and impairment charge. The Company evaluates the performance of its operating segments based on the following (in thousands):

	Years Ended December 31,			%	%		
	2015	2014	2013	Change 2015 to 2014	Change 2014 to 2013		
<b>Net Revenue</b>							
Television	\$ 159,081	\$ 165,472	\$ 156,994	(4 )%	5 %		
Radio	76,161	69,922	66,922	9 %	4 %		
Digital	18,892	6,644	—	184 %	100 %		
Consolidated	254,134	242,038	223,916	5 %	8 %		
<b>Cost of revenue - digital media</b>							
	7,242	2,993	—	142 %	100 %		
<b>Direct operating expenses</b>							
Television	60,125	61,162	61,356	(2 )%	(0 )%		
Radio	43,351	41,349	40,063	5 %	3 %		
Digital	6,847	2,363	—	190 %	100 %		
Consolidated	110,323	104,874	101,419	5 %	3 %		
<b>Selling, general and administrative expenses</b>							
Television	20,541	19,685	18,064	4 %	9 %		
Radio	18,619	16,773	15,759	11 %	6 %		
Digital	3,655	1,348	—	171 %	100 %		
Consolidated	42,815	37,806	33,823	13 %	12 %		
<b>Depreciation and amortization</b>							
Television	11,569	10,680	12,084	8 %	(12 )%		
Radio	3,224	3,391	2,869	(5 )%	18 %		
Digital	1,196	592	—	102 %	100 %		
Consolidated	15,989	14,663	14,953	9 %	(2 )%		
<b>Segment operating profit (loss)</b>							
Television	66,846	73,945	65,490	(10 )%	13 %		
Radio	10,967	8,409	8,231	30 %	2 %		
Digital	(48 )	(652 )	—	(93 )%	100 %		
Consolidated	77,765	81,702	73,721	(5 )%	11 %		
Corporate expenses	22,520	21,301	19,771	6 %	8 %		
Impairment charge	—	735	—	(100 )%	100 %		
Operating income	\$55,245	\$59,666	\$53,950	(7 )%	11 %		
Consolidated adjusted EBITDA (1)	\$76,324	\$79,277	\$73,003	(4 )%	9 %		
<b>Capital expenditures</b>							
Television	\$7,631	\$6,084	\$7,243				
Radio	5,532	2,995	2,505				
Digital	385	32	—				
Consolidated	\$13,548	\$9,111	\$9,748				
<b>Total assets</b>							
Television	\$371,095	\$380,775	\$412,487				

Radio	132,395	124,050	125,750
Digital	24,698	22,942	—
Consolidated	\$528,188	\$527,767	\$538,237

\*Percentage not meaningful.

(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

44

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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 in the event that the revolving credit facility is drawn. The total net leverage ratio, or the ratio of consolidated total debt (net of up to \$20.0 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 6.50 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of December 31): 2015, 3.9 to 1; 2014, 4.0 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):

	Years Ended December 31,		
	2015	2014	2013
Consolidated adjusted EBITDA (1)	\$76,324	\$79,277	\$73,003
Interest expense	(13,047)	(13,904)	(24,631 )
Interest income	45	50	44
Gain (loss) on debt extinguishment	(204 )	(246 )	(29,675 )
Income tax (expense) benefit	(16,414)	(18,444)	134,137
Amortization of syndication contracts	(360 )	(440 )	(587 )
Payments on syndication contracts	510	578	1,258
Non-cash stock-based compensation included in direct operating expenses	(1,931 )	(1,294 )	(1,070 )
Non-cash stock-based compensation included in corporate expenses	(3,309 )	(3,057 )	(3,701 )
Depreciation and amortization	(15,989)	(14,663)	(14,953 )
Impairment charge	-	(735 )	-
Net income	25,625	27,122	133,825
Depreciation and amortization	15,989	14,663	14,953
Impairment charge	-	735	-
Deferred income taxes	15,664	17,585	(134,975)
Amortization of debt issue costs	797	820	1,647
Amortization of syndication contracts	360	440	587
Payments on syndication contracts	(510 )	(578 )	(1,258 )

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Non-cash stock-based compensation	5,240	4,351	4,771
(Gain) loss on debt extinguishment	204	246	29,675
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	871	(6,128 )	(8,706 )
(Increase) decrease in prepaid expenses and other assets	(499 )	(1,183 )	(509 )
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(1,458 )	(3,661 )	(7,255 )
Cash flows from operating activities	\$62,283	\$54,412	\$32,755

(footnotes on preceding page)

Year Ended December 31, 2015 Compared to Year Ended December 31, 2014

### Consolidated Operations

Certain amounts in the Company's prior period consolidated financial statements and notes to the financial statements have been reclassified to conform to current period presentation.

**Net Revenue.** Net revenue increased to \$254.1 million for the year ended December 31, 2015 from \$242.0 million for the year ended December 31, 2014, an increase of \$12.1 million. Of the overall increase, \$6.3 million was attributed to our radio segment and was primarily attributable to increases in local and national advertising revenue, partially offset by the absence of World Cup and significant political advertising revenue in 2015 compared to 2014. Additionally, approximately \$12.2 million of the overall increase was attributed to our digital media segment, resulting from our acquisition of Pulpo in June 2014 and which did not contribute to results in the full comparable period in 2014. These increases were partially offset by a decrease of \$6.4 million that was attributed to our television segment, primarily due to the absence of World Cup and significant political advertising revenue in 2015 compared to 2014, and a decrease in local advertising revenue, partially offset by an increase of approximately \$10.5 million of revenue associated with television station channel modifications made by the Company in order to accommodate the operations of a telecommunications operator, and an increase in retransmission consent revenue.

We currently anticipate that for the full year 2016, net revenue will increase from political advertising, retransmission consent revenue, and digital media revenue.

**Cost of revenue.** Cost of revenue increased to \$7.2 million for the year ended December 31, 2015 from \$3.0 million for the year ended December 31, 2014, resulting from our acquisition of Pulpo in June 2014 and which did not contribute to results in the full comparable period in 2014.

**Direct Operating Expenses.** Direct operating expenses increased to \$110.3 million for the year ended December 31, 2015 from \$104.9 million for the year ended December 31, 2014, an increase of \$5.4 million. Of the overall increase, \$2.1 million was attributed to our radio segment and was primarily attributable to expenses associated with the increase in advertising revenue, an increase in production and salary expenses, and expenses for our radio network upfront. Additionally, \$4.4 million of the overall increase was attributed to our digital media segment, resulting from our acquisition of Pulpo in June 2014 and which did not contribute to results in the full comparable period in 2014. This increase was partially offset by a decrease of approximately \$1.1 million in our television segment that was primarily attributable to decreased expenses associated with the decrease in advertising revenue, partially offset by an increase in salary expense. As a percentage of net revenue, direct operating expenses remained constant at 43% for the years ended December 31, 2015 and 2014.

We believe that direct operating expenses will continue to increase during 2016 primarily as a result of employee salary increases.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased to \$42.8 million for the year ended December 31, 2015 from \$37.8 million for the year ended December 31, 2014, an increase of \$5.0 million. Of the overall increase, approximately \$0.8 million was attributed to our television segment and was primarily attributable to an increase in salary expense. Additionally, \$1.8 million of the overall increase was attributed to our radio segment and was primarily attributable to increases in rent expense, salary expense, and promotional expenses. The remaining \$2.4 million of the overall increase was attributed to our digital media segment, resulting from our acquisition of Pulpo in June 2014 and which did not contribute to results in the full comparable period in 2014. As a percentage of net revenue, selling, general and administrative expenses increased to 17% for the year ended December 31, 2015 from 16% for the year ended December 31, 2014.

We believe that selling, general and administrative expenses will increase during 2016 primarily as a result of employee salary increases.

Corporate expenses increased to \$22.5 million for the year ended December 31, 2015 from \$21.3 million for the year ended December 31, 2014, an increase of \$1.2 million. The increase was primarily attributable to an increase in salary expense and legal expense, partially offset by transaction costs associated with the acquisition of Pulpo in June 2014 that did not recur in 2015. As a percentage of net revenue, corporate expenses remained constant at 9% for each of the years ended December 31, 2015 and 2014.

We believe that corporate expenses will continue to increase during 2016 primarily as a result of employee salary increases.

Depreciation and Amortization. Depreciation and amortization increased to \$16.0 million for the year ended December 31, 2015 from \$14.7 million for the year ended December 31, 2014, an increase of \$1.3 million. The increase was primarily due to amortization related to intangibles associated with our acquisition of Pulpo in June 2014 and depreciation related to additions of property and equipment, partially offset by a decrease in depreciation as certain assets are now fully depreciated.

**Impairment Charge.** Impairment charge related to our radio goodwill was \$0.7 million for the year ended December 31, 2014. The write-down was pursuant to Accounting Standards Codification (ASC) 350, Intangibles – Goodwill and Other, which requires that goodwill and certain intangible assets be tested for impairment at least annually, or more frequently if events or changes in circumstances indicate the assets might be impaired.

**Operating Income.** As a result of the above factors, operating income was \$55.2 million for the year ended December 31, 2015, compared to \$59.7 million for the year ended December 31, 2014.

**Interest Expense.** Interest expense decreased to \$13.0 million for the year ended December 31, 2015 from \$13.9 million for the year ended December 31, 2014, a decrease of \$0.9 million. This decrease was primarily attributable to a \$20.0 million prepayment to reduce the amount of debt outstanding on December 30, 2014.

**Loss on Debt Extinguishment.** We recorded a loss on debt extinguishment of \$0.2 million for each of the years ended December 31, 2015 and 2014, related to capitalized finance costs written off due to partial prepayments of our debt.

**Income Tax Expense or Benefit.** Income tax expense for the year ended December 31, 2015 was \$16.4 million or 39% of our pre-tax income. Income tax expense for the year ended December 31, 2014 was \$18.4 million or 40% of our pre-tax income.

Our management periodically evaluates the realizability of the deferred tax assets and, if it is determined that it is more likely than not that the deferred tax assets are realizable, adjusts the valuation allowance accordingly. Valuation allowances are established and maintained for deferred tax assets on a “more likely than not” threshold. The process of evaluating the need to maintain a valuation allowance for deferred tax assets and the amount maintained in any such allowance is highly subjective and is based on many factors, several of which are subject to significant judgment calls.

Based on our analysis we determined that it was more likely than not that our deferred tax assets would be realized except for certain expiring state net operating loss carryforwards.

## Segment Operations

### Television

**Net Revenue.** Net revenue in our television segment decreased to \$159.1 million for the year ended December 31, 2015 from \$165.5 million for the year ended December 31, 2014, a decrease of \$6.4 million. This decrease was primarily due to the absence of World Cup and significant political advertising revenue in 2015 compared to 2014, partially offset by an increase of approximately \$10.5 million of revenue associated with television station channel modifications made by the Company in order to accommodate the operations of a telecommunications operator, and an increase in retransmission consent revenue. We generated a total of \$27.9 million and \$26.4 million in retransmission consent revenue for the years ended December 31, 2015 and 2014, respectively. We anticipate that retransmission consent revenue for the full year 2016 will be greater than it was for the full year 2015 and will continue to be a growing source of net revenue in future periods.

**Direct Operating Expenses.** Direct operating expenses in our television segment decreased to \$60.1 million for the year ended December 31, 2015 from \$61.2 million for the year ended December 31, 2014, a decrease of \$1.1 million. The decrease was primarily attributable to a decrease in expenses associated with the decrease in advertising revenue, partially offset by an increase in salary expense.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses in our television segment increased to \$20.5 million for the year ended December 31, 2015 from \$19.7 million for the year ended December 31, 2014, an increase of approximately \$0.8 million. The increase was primarily attributable to an increase in salary expense.



Radio

Net Revenue. Net revenue in our radio segment increased to \$76.2 million for the year ended December 31, 2015 from \$69.9 million for the year ended December 31, 2014, an increase of \$6.3 million. The increase was primarily attributable to increases in local and national advertising revenue, partially offset by the absence of World Cup and significant political advertising revenue in 2015 compared to 2014.

Direct Operating Expenses. Direct operating expenses in our radio segment increased to \$43.4 million for the year ended December 31, 2015 from \$41.3 million for the year ended December 31, 2014, an increase of \$2.1 million. The increase was primarily attributable to expenses associated with the increase in advertising revenue, an increase in production and salary expenses, and expenses for our radio network upfront.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses in our radio segment increased to \$18.6 million for the year ended December 31, 2015 from \$16.8 million for the year ended December 31, 2014, an increase of \$1.8 million. The increase was primarily attributable to increases in rent expense, salary expense, and promotional expenses.

#### Digital Media

Note: Because we created the digital media segment in the third quarter of 2014, discussion and analysis of the comparisons of the year ended December 31, 2015 to the year ended December 31, 2014 is not meaningful.

**Net Revenue.** Net revenue in our digital media segment was \$18.9 million for the year ended December 31, 2015 compared to \$6.6 million for the year ended December 31, 2014.

**Cost of revenue.** Cost of revenue in our digital media segment was \$7.2 million for the year ended December 31, 2015 compared to \$3.0 million for the year ended December 31, 2014.

**Direct operating expenses.** Direct operating expenses in our digital media segment were \$6.8 million for the year ended December 31, 2015 compared to \$2.4 million for the year ended December 31, 2014.

**Selling, general and administrative expenses.** Selling, general and administrative expenses in our digital media segment were \$3.7 million for the year ended December 31, 2015 compared to \$1.3 million for the year ended December 31, 2014.

#### Year Ended December 31, 2014 Compared to Year Ended December 31, 2013

##### Consolidated Operations

Certain amounts in the Company's prior period consolidated financial statements and notes to the financial statements have been reclassified to conform to current period presentation.

**Net Revenue.** Net revenue increased to \$242.0 million for the year ended December 31, 2014 from \$223.9 million for the year ended December 31, 2013, an increase of \$18.1 million. Of the overall increase, \$8.5 million was attributed to our television segment and was primarily attributable to advertising revenue from the World Cup, an increase in retransmission consent revenue, and an increase in political advertising revenue, which was not material in 2013, partially offset by decreases in national and local advertising revenue. Additionally, \$3.0 million of the overall increase was attributed to our radio segment and was primarily attributable to advertising revenue from the World Cup, an increase in national advertising revenue, and an increase in political advertising revenue, which was not material in 2013, partially offset by a decrease in local advertising revenue. The remaining \$6.6 million of the overall increase was attributed to our new digital media segment, resulting from our acquisition of Pulpo in June 2014 and which did not contribute to net revenue in periods prior to the third quarter of 2014.

We currently anticipate that for the full year 2015, net revenue will increase from digital media and retransmission consent revenue, whereas net revenue will decrease from the absence of World Cup and significant political advertising compared to 2014.

**Cost of revenue.** Cost of revenue was \$3.0 million for the year ended December 31, 2014 due to the acquisition of Pulpo in June 2014.

**Direct Operating Expenses.** Direct operating expenses increased to \$104.9 million for the year ended December 31, 2014 from \$101.4 million for the year ended December 31, 2013, an increase of \$3.5 million. Of the overall increase, approximately \$1.2 million was attributed to our radio segment and was primarily attributable to an increase in salary

expense. Additionally, \$2.4 million of the overall increase was attributed to our new digital media segment, resulting from our acquisition of Pulpo in June 2014. As a percentage of net revenue, direct operating expenses decreased to 43% for the year ended December 31, 2014 from 45% for the year ended December 31, 2013. Direct operating expenses as a percentage of net revenue decreased because the increase in net revenue outpaced the increase in direct operating expenses.

We believe that direct operating expenses will continue to increase during 2015 primarily as a result of employee salary increases.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased to \$37.8 million for the year ended December 31, 2014 from \$33.8 million for the year ended December 31, 2013, an increase of \$4.0 million. Of the overall increase, \$1.6 million was attributed to our television segment and was primarily attributable to increases in bad debt expense, insurance and salary expense. Additionally, \$1.0 million of the overall increase was attributed to our radio segment and was primarily attributable to increases in employee benefits costs and payroll taxes associated with the increase in salary expense. The remaining \$1.3 million of the overall increase was attributed to our new digital media segment, resulting from our acquisition of Pulpo in June

2014. As a percentage of net revenue, selling, general and administrative expenses increased to 16% for the year ended December 31, 2014 from 15% for the year ended December 31, 2013.

We believe that selling, general and administrative expenses will increase during 2015 primarily as a result of employee salary increases.

Corporate expenses increased to \$21.3 million for the year ended December 31, 2014 from \$19.8 million for the year ended December 31, 2013, an increase of \$1.5 million. The increase was primarily attributable to fees associated with the acquisition of Pulpo and an increase in salary expense, partially offset by a decrease in non-cash stock-based compensation. As a percentage of net revenue, corporate expenses remained constant at 9% for each of the years ended December 31, 2014 and 2013.

We believe that corporate expenses will continue to increase during 2015 primarily as a result of employee salary increases.

Depreciation and Amortization. Depreciation and amortization decreased to \$14.7 million for the year ended December 31, 2014 from \$15.0 million for the year ended December 31, 2013, a decrease of \$0.3 million. The decrease was primarily due to a decrease in depreciation as certain assets are now fully depreciated.

Impairment Charge. Impairment charge related to our radio goodwill was \$0.7 million for the year ended December 31, 2014. The write-down was pursuant to Accounting Standards Codification (ASC) 350, Intangibles – Goodwill and Other, which requires that goodwill and certain intangible assets be tested for impairment at least annually, or more frequently if events or changes in circumstances indicate the assets might be impaired.

Operating Income. As a result of the above factors, operating income was \$59.7 million for the year ended December 31, 2014, compared to \$54.0 million for the year ended December 31, 2013.

Interest Expense. Interest expense decreased to \$13.9 million for the year ended December 31, 2014 from \$24.6 million for the year ended December 31, 2013, a decrease of \$10.7 million. This decrease was primarily attributable to our Term Loan B under the 2013 Credit Facility, which bears interest at a lower rate than did our redeemed Notes.

Loss on Debt Extinguishment. We recorded a loss on debt extinguishment of \$0.2 million, related to finance costs during the year ended December 31, 2014. We recorded a loss on debt extinguishment of \$29.7 million, primarily related to the premium associated with the redemption of our Notes, the unamortized bond discount, and finance costs during the year ended December 31, 2013.

Income Tax Expense or Benefit. Income tax expense for the year ended December 31, 2014 was \$18.4 million or 40% of our pre-tax income. Income tax benefit for the year ended December 31, 2013 was \$134.1 million. The effective income tax rate for 2013 was significantly higher than our federal corporate income tax rate of 34%. The difference is due primarily to the release of the entire valuation allowance of our federal deferred tax assets and the release of the majority of the valuation allowance of our state deferred tax assets.

Our management periodically evaluates the realizability of the deferred tax assets and, if it is determined that it is more likely than not that the deferred tax assets are realizable, adjusts the valuation allowance accordingly. Valuation allowances are established and maintained for deferred tax assets on a “more likely than not” threshold. The process of evaluating the need to maintain a valuation allowance for deferred tax assets and the amount maintained in any such allowance is highly subjective and is based on many factors, several of which are subject to significant judgment calls.

Based on our analysis we determined that it was more likely than not that our deferred tax assets would be realized except for certain expiring state net operating loss carryforwards.

Segment Operations

Television

Net Revenue. Net revenue in our television segment increased to \$165.5 million for the year ended December 31, 2014 from \$157.0 million for the year ended December 31, 2013, an increase of \$8.5 million. The increase was primarily attributable to advertising revenue from the World Cup, an increase in retransmission consent revenue, and an increase in political advertising revenue, which was not material in 2013. These increases were partially offset by decreases in national and local advertising revenue. We generated a total of \$26.4 million and \$22.2 million in retransmission consent revenue for the years ended December 31, 2014 and 2013, respectively. We anticipate that retransmission consent revenue for the full year 2015 will be greater than it was for the full year 2014 and will continue to be a growing source of net revenue in future periods.

**Direct Operating Expenses.** Direct operating expenses in our television decreased to \$61.2 million for the year ended December 31, 2014 from \$61.4 million for the year ended December 31, 2013, a decrease of \$0.2 million.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses in our television segment increased to \$19.7 million for the year ended December 31, 2014 from \$18.1 million for the year ended December 31, 2013, an increase of \$1.6 million. The increase was primarily attributable to increases in bad debt expense, insurance and salary expense.

#### Radio

**Net Revenue.** Net revenue in our radio segment increased to \$69.9 million for the year ended December 31, 2014 from \$66.9 million for the year ended December 31, 2013, an increase of \$3.0 million. The increase was primarily attributable to advertising revenue from the World Cup, an increase in national advertising revenue, and an increase in political advertising revenue, which was not material in 2013. These increases were partially offset by a decrease in local advertising revenue.

**Direct Operating Expenses.** Direct operating expenses in our radio segment increased to \$41.3 million for the year ended December 31, 2014 from \$40.1 million for the year ended December 31, 2013, an increase of \$1.2 million. The increase was primarily attributable to an increase in salary expense.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses in our radio segment increased to \$16.8 million for the year ended December 31, 2014 from \$15.8 million for the year ended December 31, 2013, an increase of \$1.0 million. The increase was primarily attributable to increases in employee benefits costs and payroll taxes associated with the increase in salary expense.

#### Digital Media

The digital media segment was formed as of the beginning of the third quarter of 2014 in connection with the acquisition of Pulpo on June 18, 2014. The results of this new segment for the interim period between the acquisition date and the beginning of the third quarter were not significant and were included in the radio segment.

**Net Revenue.** Net revenue in our digital media segment was \$6.6 million for the year ended December 31, 2014.

**Cost of revenue.** Cost of revenue in our digital media segment was \$3.0 million for the year ended December 31, 2014.

**Direct operating expenses.** Direct operating expenses in our digital media segment were \$2.4 million for the year ended December 31, 2014.

**Selling, general and administrative expenses.** Selling, general and administrative expenses in our digital media segment were \$1.3 million for the year ended December 31, 2014

#### Liquidity and Capital Resources

We had net income of approximately \$25.6 million, \$27.1 million, and \$133.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. We had positive cash flow from operations of \$62.3 million, \$54.4 million and \$32.8 million for the years ended December 31, 2015, 2014 and 2013, respectively. 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.

## 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.

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 then outstanding 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 any acquisitions in which we may engage, 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 December 31, 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	
<sup>3</sup> 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

51

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· 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 down on our Term Loan B Facility. Those 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 then-outstanding notes (the “Notes”) that we redeemed 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 relating to the Notes (the “Indenture”) was satisfied and discharged in accordance with its terms and the Notes were cancelled, effective as of the Redemption Date.

On December 31, 2013, we made a prepayment of \$10.0 million to reduce the amount of loans outstanding under our Term Loan B Facility.

On December 30, 2014, we made a prepayment of \$20.0 million to reduce the amount of loans outstanding under our Term Loan B Facility.

Also on December 31, 2015, we made a prepayment of \$20.0 million to reduce the amount of loans outstanding under our Term Loan B Facility.

## Share Repurchase Program

On August 18, 2014, our Board of Directors approved a share repurchase program of up to \$10.0 million of the Company's outstanding common stock. On November 25, 2014, our Board of Directors approved an extension of the share repurchase program with a repurchase authorization of up to an additional \$10.0 million of the Company's outstanding common stock, for a total repurchase authorization of up to \$20.0 million. Under the share repurchase program we were authorized to purchase shares from time to time through open market purchases or negotiated purchases, subject to market conditions and other factors. The stock repurchase program may be suspended or discontinued at any time without prior notice.

We did not repurchase any shares of Class A common stock during 2015. As of December 31, 2015, we repurchased to date a total of approximately 2.5 million shares of Class A common stock at an average price of \$5.08 since the beginning of this program, for an aggregate purchase price of approximately \$12.5 million. All repurchased shares were retired as of December 31, 2014.

## Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) decreased to \$76.3 million for the year ended December 31, 2015 from \$79.3 million for the year ended December 31, 2014, a decrease of \$3.0 million, or 4%. As a percentage of net revenue, consolidated adjusted EBITDA decreased to 30% for the year ended December 31, 2015, from 33% for the year ended December 31, 2014.

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 in the event that the revolving credit facility is drawn. The total net leverage ratio, or the ratio of consolidated total debt (net of up to \$20.0 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 6.50 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of December 31): 2015, 3.9 to 1; 2014, 4.0 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 46.

#### Cash Flow

Net cash flow provided by operating activities was \$62.3 million for the year ended December 31, 2015 compared to net cash flow provided by operating activities of \$54.4 million for the year ended December 31, 2014. We had net income of \$25.6 million for the year ended December 31, 2015, which was partially offset by non-cash items, including depreciation and amortization expense of \$16.0 million, and deferred income taxes of \$15.7 million. We had net income of \$27.1 million for the year ended December 31, 2014, which was partially offset by non-cash items, including depreciation and amortization expense of \$14.7 million, and deferred income taxes of \$17.6 million. We expect to have positive cash flow from operating activities for the 2016 year.

Net cash flow used in investing activities was \$13.7 million for the year ended December 31, 2015, compared to net cash flow used in investing activities of \$23.7 million for the year ended December 31, 2014. During the year ended December 31, 2015, we spent \$13.7 million on net capital expenditures. During the year ended December 31, 2014, we acquired Pulpo for \$15.0 million and spent \$8.6 million on net capital expenditures. We anticipate that our capital expenditures will be approximately \$10.5 million during the full year 2016. The amount of our anticipated capital expenditures may change based on future changes in business plans, our financial condition and general economic conditions. We expect to fund capital expenditures with cash on hand and net cash flow from operations.

Net cash flow used in financing activities was \$31.9 million for the year ended December 31, 2015, compared to net cash flow used in financing activities of \$43.3 million for the year ended December 31, 2014. During the year ended December 31, 2015, we made debt payments of \$23.8 million, dividend payments of \$9.3 million, a contingent consideration payment of \$1.0 million, and received proceeds of \$2.2 million related to the issuance of common stock upon the exercise of stock options. During the year ended December 31, 2014, we made debt payments of \$23.8 million, repurchased our Class A shares for \$12.5 million, made dividend payments of \$8.9 million, and received proceeds of \$1.8 million related to the issuance of common stock upon the exercise of stock options.

### Commitments and Contractual Obligations

Our material contractual obligations at December 31, 2015 are as follows (in thousands):

	Payments Due by Period	
	Less	
Total	1-3	3-5
amounts	years	years
Contractual Obligations	committed	years