ENTRAVISION COMMUNICATIONS CORP
Form 10-Q
August 11, 2008
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

(MARK ONE)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2008

OR

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE TRANSITION PERIOD FROM __________ TO __________

COMMISSION FILE NUMBER 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**95-4783236**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

2425 Olympic Boulevard, Suite 6000 West

Santa Monica, California 90404

(Address of principal executive offices) (Zip Code)

(310) 447-3870

(Registrant s telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes x No ¨

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

Large accelerated filer ¨	Accelerated filer x
Non-accelerated filer ¨	Smaller reporting company ¨

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

As of July 31, 2008, there were 51,286,904 shares, $0.0001 par value per share, of the registrant s Class A common stock outstanding, 22,887,433 shares, $0.0001 par value per share, of the registrant s Class B common stock outstanding and 15,652,729 shares, $0.0001 par value per share, of the registrant s Class U common stock outstanding.

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ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-Q FOR THE THREE- AND SIX-MONTH PERIODS ENDED JUNE 30, 2008

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Forward-Looking Statements

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

Forward-looking statements may include the words may, could, will, estimate, intend, continue, believe, expect or anticipate or words. These forward-looking statements present our estimates and assumptions only as of the date of this annual report. Except for our ongoing obligation to disclose material information as required by the federal securities laws, we do not intend, and undertake no obligation, to update any forward-looking statement.

Although we believe that the expectations reflected in any of our forward-looking statements are reasonable, actual results could differ materially from those projected or assumed in any of our forward-looking statements. Our future financial condition and results of operations, as well as any forward-looking statements, are subject to change and inherent risks and uncertainties. Some of the key factors impacting these risks and uncertainties include, but are not limited to:

- risks related to our history of operating losses, our substantial indebtedness or our ability to raise capital;
- risks related to our significant amount of goodwill and other intangible assets;
- provisions of the agreements governing our debt instruments that may restrict the operation of our business;
- cancellations or reductions of advertising, whether due to a general economic downturn or otherwise;
- our relationship with Univision Communications Inc., or Univision;
- the overall success of our acquisition strategy, which includes developing media clusters in key U.S. Hispanic markets, and the integration of any acquired assets with our existing business;
- the impact of rigorous competition in Spanish-language media and in the advertising industry generally;
- industry-wide market factors and regulatory and other developments affecting our operations; and

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see the section entitled Risk Factors, beginning on page 27 of our Annual Report on Form 10-K for the year ended December 31, 2007.

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PART I

FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	June 30, 2008 (Unaudited)	December 31, 2007
ASSETS		
Current assets		
Cash and cash equivalents	$ 117,105	$ 86,945
Trade receivables, net of allowance for doubtful accounts of $6,040 and $5,771	55,963	55,986
Assets held for sale		102,974
Deferred income taxes	26,248	26,248
Prepaid expenses and other current assets (including related parties of $274 and $274)	6,810	8,158
Total current assets	206,126	280,311
Property and equipment, net	92,891	92,959
Intangible assets subject to amortization, net (included related parties of $31,321 and $32,482)	33,238	34,560
Intangible assets not subject to amortization	766,118	778,427
Goodwill	179,360	168,135
Other assets	14,831	11,756
Total assets	$ 1,292,564	$ 1,366,148
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt (including related parties of $1,000 and $1,000)	$ 1,004	$ 1,076
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $3,402 and $4,595)	34,050	57,944
Liabilities associated with assets held for sale		5,772
Total current liabilities	35,172	64,910
Long-term debt, less current maturities (including related parties of $2,000 and $3,000)	472,000	483,002
Other long-term liabilities	29,557	22,383
Deferred income taxes	139,646	138,043
Total liabilities	676,375	708,338
Commitments and contingencies (note 4)		
Stockholders equity		
Class A common stock, $0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2008 52,078,804; 2007 57,740,370	6	6
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2008 22,887,433; 2007 22,887,433	2	2
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2008 15,652,729; 2007 17,152,729	2	2

Additional paid-in capital	947,250	991,908
Accumulated deficit	(331,070)	(334,108)
	616,190	657,810
Treasury stock, Class A common stock, $0.0001 par value, 2008 7,814,281; 2007 2,060,001 shares	(1)	
Total stockholders equity	616,189	657,810
Total liabilities and stockholders equity	$ 1,292,564	$ 1,366,148

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three-Month Period Ended June 30, 2008	Three-Month Period Ended June 30, 2007 (As reclassified) (Note 1)	Six-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2007 (As reclassified) (Note 1)
Net revenue (including related parties of $32, $150, $182 and $300)	$ 62,932	$ 66,536	$ 118,585	$ 123,431
Expenses:				
Direct operating expenses (including related parties of $3,079, $3,202, $5,572 and $5,929) (including non-cash stock-based compensation of $165, $97, $289 and $251)	25,942	25,009	50,676	49,225
Selling, general and administrative expenses (including non-cash stock-based compensation of $207, $135, $362 and $400)	10,956	11,764	21,631	22,593
Corporate expenses (including non-cash stock-based compensation of $468, $370, $903 and $1,018)	4,477	4,373	8,931	9,002
Depreciation and amortization (includes direct operating of $4,382, $4,412, $8,726 and $8,891; selling, general and administrative of $983, $975, $1,985 and $2,001; and corporate of $277, $216, $476 and $431) (including related parties of $580, $580, $1,160 and $1,160)	5,642	5,603	11,187	11,323
	47,017	46,749	92,425	92,143
Operating income	15,915	19,787	26,160	31,288
Interest expense (including related parties of $54, $68, $112 and $141)	3,172	(1,807)	(19,423)	(12,917)
Interest income	286	1,302	717	2,566
Income before income taxes	19,373	19,282	7,454	20,937
Income tax expense	(7,674)	(7,671)	(2,679)	(8,417)
Income before equity in net income (loss) of nonconsolidated affiliate and discontinued operations	11,699	11,611	4,775	12,520
Equity in net income (loss) of nonconsolidated affiliate	(38)	160	(164)	160
Income from continuing operations	11,661	11,771	4,611	12,680
Loss from discontinued operations, net of tax (expense) benefit of ($369), $1,514, $604 and $4,160	(919)	(3,173)	(1,573)	(7,369)
Net income applicable to common stockholders	$ 10,742	$ 8,598	$ 3,038	$ 5,311
Basic and diluted earnings per share:				
Net income per share from continuing operations applicable to common stockholders, basic and diluted	$ 0.13	$ 0.11	$ 0.05	$ 0.12

Net loss per share from discontinued operations, basic and diluted	$	(0.01)	$	(0.03)	$	(0.02)	$	(0.07)
Net income per share applicable to common stockholders, basic and diluted	$	0.12	$	0.08	$	0.03	$	0.05
Weighted average common shares outstanding, basic		91,573,187		104,174,725		93,495,230		104,018,118
Weighted average common shares outstanding, diluted		91,835,027		105,124,162		93,811,980		104,705,891

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)

	Three-Month Period Ended June 30, 2008	Three-Month Period Ended June 30, 2007 (As reclassified) (Note 1)	Six-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2007 (As reclassified) (Note 1)
Cash flows from operating activities:				
Net income	$ 10,742	$ 8,598	$ 3,038	$ 5,311
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization	5,642	5,603	11,187	11,323
Deferred income taxes	6,877	9,598	1,660	7,233
Amortization of debt issue costs	101	101	202	202
Amortization of syndication contracts	689	399	1,555	415
Payments on syndication contracts	(715)	(459)	(1,422)	(478)
Equity in net (income) loss of nonconsolidated affiliate	38	(160)	164	(160)
Non-cash stock-based compensation	840	602	1,554	1,669
Change in fair value of interest rate swap agreements	(10,832)	(6,082)	3,211	(2,796)
Changes in assets and liabilities, net of effect of acquisitions and dispositions:				
(Increase) decrease in accounts receivable	(6,317)	(8,699)	158	(5,983)
(Increase) decrease in prepaid expenses and other assets	733	322	78	(131)
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(659)	1,806	(1,760)	(1,456)
Effect of discontinued operations	(1,569)	712	(2,230)	8,818
Net cash provided by operating activities	5,570	12,341	17,395	23,967
Cash flows from investing activities:				
Proceeds from sale of property and equipment and intangibles	101,407	20	101,498	20
Purchases of property and equipment and intangibles	(4,404)	(5,978)	(8,408)	(9,403)
Purchase of a business			(22,885)	
Effect of discontinued operations	(64)	(823)	(194)	(1,182)
Net cash provided by (used in) investing activities	96,939	(6,781)	70,011	(10,565)
Cash flows from financing activities:				
Proceeds from issuance of common stock		2,925	486	5,477
Payments on long-term debt	(1,007)	(1,068)	(11,034)	(1,144)
Repurchase of Class U common stock			(10,380)	
Repurchase of Class A common stock	(13,793)		(36,293)	(2,840)
Change in excess tax benefits from exercise of stock options	(25)	353	(25)	476
Net cash provided by (used in) financing activities	(14,825)	2,210	(57,246)	1,969
Net increase in cash and cash equivalents	87,684	7,770	30,160	15,371
Cash and cash equivalents:				
Beginning	29,421	126,126	86,945	118,525

Ending	$ 117,105	$ 133,896	$ 117,105	$ 133,896
Supplemental disclosures of cash flow information:				
Cash payments for:				
Interest	$ 7,628	$ 7,723	$ 16,202	$ 15,600
Income taxes	$ 822	$ 366	$ 1,044	$ 708

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

JUNE 30, 2008

1. BASIS OF PRESENTATION

Presentation

The consolidated financial statements included herein have been prepared by Entravision Communications Corporation (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted pursuant to such rules and regulations. These consolidated financial statements and notes thereto should be read in conjunction with the Company s audited consolidated financial statements for the year ended December 31, 2007 included in the Company s Annual Report on Form 10-K for the year ended December 31, 2007. The unaudited information contained herein has been prepared on the same basis as the Company s audited consolidated financial statements and, in the opinion of the Company s management, includes all adjustments (consisting of only normal recurring adjustments) necessary for a fair presentation of the information for the periods presented. The interim results presented herein are not necessarily indicative of the results of operations that may be expected for the full fiscal year ending December 31, 2008 or any other future period.

Discontinued Operations

The Company sold the outdoor advertising business in May 2008 and no longer has outdoor operations. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS 144) the Company has reported the results of its outdoor advertising operations for all periods in discontinued operations within the consolidated statements of operations. In the statements of cash flows, the cash flows of discontinued operations have been reclassified for all periods presented and are separately classified within the respective categories with those of continuing operations. The outdoor advertising business has been presented as assets held for sale on the consolidated balance sheet as of December 31, 2007.

Assets classified as assets held for sale are measured at the lower of their carrying amount or fair value less cost to sell and are not depreciated and amortized while classified as held for sale. Fair value of assets held for sale is based on estimates of future cash flows, which may include expected proceeds to be received or the present value of estimated future cash flows. Costs to sell are the direct incremental costs estimated to transact a sale. A loss is recognized for any initial or subsequent write-down to fair value less costs to sell. A gain is recognized for any subsequent increase in fair value less cost to sell, but not in excess of the cumulative loss previously recognized.

2. THE COMPANY AND SIGNIFICANT ACCOUNTING POLICIES

Related Party

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

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

The Company s Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. However, as the holder of all of the Company s issued and outstanding Class U common stock, Univision currently has the right to approve any merger, consolidation or other business combination involving the Company, any dissolution of the Company and any assignment of the Federal Communications Commission, or FCC, licenses for any of the Company s Univision-affiliated television stations. Each share of Class U common stock is automatically convertible into one share of the Company s Class A

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common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision. Pursuant to an investor rights agreement, as amended, between Univision and the Company, Univision has a right to demand the registration of the sale of shares of the Company s Class U common stock that it owns, which may be exercised on or before March 26, 2009.

Univision acts as the Company s exclusive sales representative for the sale of all national advertising aired on Univision-affiliate television stations. During the three-month periods ended June 30, 2008 and 2007, the amount paid by the Company to Univision in this capacity was $2.5 million and $2.6 million, respectively. During the six-month periods ended June 30, 2008 and 2007, the amount paid by the Company to Univision in this capacity was $4.7 million and $5.0 million, respectively.

Stock-Based Compensation

The Company measures all stock-based awards using a fair value method and recognizes the related stock-based compensation expense in the consolidated financial statements over the requisite service period. Further, the Company estimates forfeitures for share based awards that are not expected to vest. As stock-based compensation expense recognized in the Company s consolidated financial statements is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures.

Restricted Stock Units

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

Stock-based compensation expense related to grants of restricted stock units was $0.7 million and $0.4 million for the three-month periods ended June 30, 2008 and 2007, respectively. Stock-based compensation expense related to grants of restricted stock units was $1.3 million and $0.9 million for the six-month periods ended June 30, 2008 and 2007, respectively.

The following is a summary of nonvested restricted stock units granted: (unaudited; in thousands, except grant date fair value data):

	Six-Month Period Ended June 30, 2008	
	Number Granted	Weighted-Average Fair Value
Restricted stock units	731	$ 6.06

As of June 30, 2008, there was approximately $5.7 million of total unrecognized compensation expense related to grants of restricted stock units that is expected to be recognized over a weighted-average period of 2.0 years.

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Income (Loss) Per Share

The following table illustrates the reconciliation of the basic and diluted income per share computations required by Statement for Financial Accounting Standards No. 128 Earnings Per Share (unaudited; in thousands, except share and per share data):

	Three-Month Period Ended June 30, 2008	Three-Month Period Ended June 30, 2007	Six-Month Period Ended June 30, 2008	Six-Month Period Ended June 30, 2007
Basic earnings per share:				
Numerator:				
Income from continuing operations	$ 11,661	$ 11,771	$ 4,611	$ 12,680
Loss from discontinued operations	(919)	(3,173)	(1,573)	(7,369)
Net income applicable to common stockholders	$ 10,742	$ 8,598	$ 3,038	$ 5,311
Denominator:				
Weighted average common shares outstanding	91,573,187	104,174,725	93,495,230	104,018,118
Per share:				
Net income per share from continuing operations	$ 0.13	$ 0.11	$ 0.05	$ 0.12
Net loss per share from discontinued operations	(0.01)	(0.03)	(0.02)	(0.07)
Net income per share applicable to common stockholders	$ 0.12	$ 0.08	$ 0.03	$ 0.05
Diluted earnings per share:				
Numerator:				
Income from continuing operations	$ 11,661	$ 11,771	$ 4,611	$ 12,680
Loss from discontinued operations	(919)	(3,173)	(1,573)	(7,369)
Net income applicable to common stockholders	$ 10,742	$ 8,598	$ 3,038	$ 5,311
Denominator:				
Weighted average common shares outstanding	91,573,187	104,174,725	93,495,230	104,018,118
Dilutive securities:				
Stock options, restricted stock units and employee stock purchase plan	261,840	949,437	316,750	687,773
Diluted shares outstanding	91,835,027	105,124,162	93,811,980	104,705,891
Per share:				
Net income per share from continuing operations	$ 0.13	$ 0.11	$ 0.05	$ 0.12
Net loss per share from discontinued operations	(0.01)	(0.03)	(0.02)	(0.07)
Net income per share applicable to common stockholders	$ 0.12	$ 0.08	$ 0.03	$ 0.05

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

For the six-month period ended June 30, 2008, a total of 10,269,255 shares of dilutive securities were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

For the six-month period ended June 30, 2007, a total of 9,126,434 shares of dilutive securities were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

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Disposition and Discontinued Operations

In May 2008, the Company sold the outdoor advertising business to Lamar Advertising Co. for $101.5 million. The Company reviewed the portfolio of media properties and decided to sell its outdoor advertising business as it was a non-core business where the opportunity to grow to scale was limited. The Company decided that the net proceeds of the sale would strengthen the ability to invest in the core television and radio businesses while improving financial flexibility, including stock repurchases.

As a result of the disposition, the Company no longer has outdoor advertising operations. Accordingly, the financial statements reflect the outdoor segment as discontinued operations; the Company has presented the related net assets and liabilities as assets held for sale and reclassified the related revenue and expenses as discontinued operations.

Summarized financial information of the major classes of assets and liabilities held for sale in the consolidated balance sheets for the discontinued outdoor operations is as follows (in thousands):

	December 31, 2007
Trade receivables (net of allowance of $502)	$ 10,510
Prepaid expenses and other current assets	2,960
Deferred income taxes	23,507
Property and equipment, net	44,850
Intangible assets subject to amortization (customer base) (1)	19,332
Goodwill and other assets (1)	1,815
Total assets held for sale	$ 102,974
Current liabilities	$ 5,670
Other liabilities	102
Total liabilities associated with assets held for sale	$ 5,772
Carrying value of net assets held for sale	$ 97,202

(1) Goodwill and intangible assets include reductions of $60 million and $19.5 million, respectively, to reduce the carrying value of the disposal group to fair value less costs to sell.

Summarized financial information in the consolidated statements of operations for the discontinued outdoor operations is as follows (unaudited; in thousands):

	Three-Month Period Ended June 30,		Six-Month Period Ended June 30,	
	2008	2007	2008	2007
Net revenue	$ 4,785	$ 9,508	$ 13,730	$ 16,541
Loss before income taxes	(550)	(4,687)	(2,177)	(11,529)
Income tax (expense) benefit	(369)	1,514	604	4,160
Loss from discontinued operations, net of tax	$ (919)	$ (3,173)	$ (1,573)	$ (7,369)

In presenting discontinued operations, corporate overhead expenses have not been allocated, consistent with historical outdoor segment presentation.

Acquisition of Assets

In March 2008, the Company completed the acquisition of the net assets of radio station WNUE-FM in Orlando, Florida, which was consolidated as a variable interest entity in December 2007, for $24.1 million.

The Company evaluated the transferred set of activities, assets, inputs, outputs, and processes in this acquisition and determined that the acquisition did constitute a business.

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The following is a summary of the purchase price allocation for the Company s acquisition of the net assets of radio station WNUE-FM in Orlando, Florida (unaudited; in millions):

Property and equipment	$ 1.0
Intangible assets subject to amortization	0.4
Intangible assets not subject to amortization (FCC licenses)	11.5
Goodwill	11.2
	$ 24.1

Syndicated Bank Credit Facility

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

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

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

The term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 4.29% at June 30, 2008. As of June 30, 2008, $470 million of the term loan was outstanding.

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

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

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

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

The Company can draw on the revolving facility without prior approval for working capital needs and for acquisitions having an aggregate maximum consideration of $25 million or less. Proposed acquisitions are conditioned upon the Company s delivery to the agent bank of a covenant compliance certificate showing pro forma calculations assuming such acquisition had been consummated

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and revised revenue projections for the acquired properties. For acquisitions having an aggregate maximum consideration in excess of $100 million, consent is required from lenders holding more than 50% of the loans and commitments under the syndicated bank credit facility.

Derivative Instruments

As of June 30, 2008, the Company had three interest rate swap agreements with a $346 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010, and a fourth interest rate swap agreement with a $124 million notional amount, with quarterly increases, that also expires on October 1, 2010. The three interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. The fourth interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%.

As of June 30, 2008 and 2007, these interest rate swap agreements were not designated for hedge accounting treatment, and as a result, changes in their fair values are reflected currently in earnings. The Company recognized a reduction of $10.8 million and $6.1 million in interest expense related to the increase in fair value of the interest rate swap agreements for the three-month periods ended June 30, 2008 and 2007, respectively. The Company recognized an increase of $3.2 million and a reduction of $2.8 million in interest expense related to the change in fair value of the interest rate swap agreements for the six-month periods ended June 30, 2008 and 2007, respectively.

As of June 30, 2008, the fair value of the interest rate swap agreements was a liability of $14.8 million and is classified in other liabilities on the balance sheet. As of December 31, 2007, the fair value of the interest rate swap agreements was a liability of $11.6 million and is classified in other liabilities on the balance sheet.

Fair Value Measurements

In February 2007, the FASB issued SFAS No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities, which permits entities to measure eligible financial instruments, commitments, and certain other arrangements at fair value at specified election dates with changes in fair value recognized in earnings at each subsequent reporting period. SFAS 159 is effective beginning in the first quarter of 2008. The Company has currently not chosen to elect the provisions of SFAS 159 for its existing financial instruments.

On January 1, 2008, the Company adopted SFAS No. 157 (SFAS 157), Fair Value Measurements, which defines and establishes a framework for measuring fair value and expands disclosures about fair value measurements. In accordance with SFAS 157, the Company has categorized its financial assets and liabilities, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy as set forth below.

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

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

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

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

The following table presents the financial liabilities measured at fair value on a recurring basis, based on the fair value hierarchy as of June 30, 2008 (unaudited; in millions):

Liabilities	**Level 2**
Interest rate swap agreements	$ 14.8

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Interest Rate Swap Agreements

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

Recent Accounting Pronouncements

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

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

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

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

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, Goodwill and Other Intangible Assets (SFAS 142). The intent of this FSP is to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. The Company is currently evaluating the impact of adopting FSP 142-3 on the financial statements.

3. SEGMENT INFORMATION

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

Television Broadcasting

The Company owns and/or operates 51 primary television stations located primarily in the southwestern United States, including several key U.S./Mexican border markets.

Radio Broadcasting

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

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 and (gain) loss on sale of assets. There were no significant sources of revenue generated outside the United States during the three- and six-month periods ended June 30, 2008 and 2007. The Company evaluates the performance of its operating segments based on the following (unaudited, except for December 31, 2007 data; in thousands):

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	Three-Month Period Ended June 30, 2008	2007	% Change 2008 to 2007	Six-Month Period Ended June 30, 2008	2007	% Change 2008 to 2007
Net Revenue						
Television	$ 38,944	$ 40,287	(3)%	$ 75,049	$ 77,078	(3)%
Radio	23,988	26,249	(9)%	43,536	46,353	(6)%
Consolidated	62,932	66,536	(5)%	118,585	123,431	(4)%
Direct operating expenses						
Television	16,180	16,093	1%	32,114	31,690	1%
Radio	9,762	8,916	9%	18,562	17,535	6%
Consolidated	25,942	25,009	4%	50,676	49,225	3%
Selling, general and administrative expenses						
Television	5,532	5,512	0%	11,111	11,409	(3)%
Radio	5,424	6,252	(13)%	10,520	11,184	(6)%
Consolidated	10,956	11,764	(7)%	21,631	22,593	(4)%
Depreciation and amortization						
Television	4,268	4,275	(0)%	8,577	8,478	1%
Radio	1,374	1,328	3%	2,610	2,845	(8)%
Consolidated	5,642	5,603	1%	11,187	11,323	(1)%
Segment operating profit						
Television	12,964	14,407	(10)%	23,247	25,501	(9)%
Radio	7,428	9,753	(24)%	11,844	14,789	(20)%
Consolidated	20,392	24,160	(16)%	35,091	40,290	(13)%
Corporate expenses	4,477	4,373	2%	8,931	9,002	(1)%
Operating income	15,915	19,787	(20)%	26,160	31,288	(16)%
Interest expense	3,172	(1,807)	*	(19,423)	(12,917)	50%
Interest income	286	1,302	(78)%	717	2,566	(72)%
Income before income taxes from continuing operations	$ 19,373	$ 19,282	0%	$ 7,454	$ 20,937	(64)%
Capital expenditures						
Television	$ 3,361	$ 3,108		$ 6,511	$ 5,927	
Radio	1,083	834		1,962	1,501	
Consolidated	$ 4,444	$ 3,942		$ 8,473	$ 7,428	

	June 30, 2008	December 31, 2007
Total assets		
Television	$ 544,922	$ 517,878
Radio	747,642	745,296

Assets held for sale (1)		102,974
Consolidated	$ 1,292,564	$ 1,366,148

* Percentage not meaningful.

(1) Amount represents outdoor assets classified as assets held for sale.

4. LITIGATION

The Company is subject to various outstanding claims and other legal proceedings that arose in the ordinary course of business. In the opinion of management, any liability of the Company that may arise out of or with respect to these matters will not materially adversely affect the financial position, results of operations or cash flows of the Company.

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

We are a diversified Spanish-language media company with a unique portfolio of television and radio assets that reach Hispanic consumers across the United States, as well as the border markets of Mexico. We operate in two reportable segments: television broadcasting and radio broadcasting. Our net revenue for the three-month period ended June 30, 2008 was $62.9 million. Of that amount, revenue generated by our television segment accounted for 62% and revenue generated by our radio segment accounted for 38%.

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

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

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

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

Highlights

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

Our television segment generated $38.9 million in net revenue in the second quarter of 2008 as we sustained solid ratings across this segment. Our television results were driven by continued growth in our top advertising categories, including services, fast food and restaurants, healthcare and entertainment. We continued to enjoy significant revenue growth from certain of our television stations located in markets with rapidly growing Hispanic populations. Notwithstanding the net revenue growth of these particular stations, net revenue for our television segment as a whole decreased by $1.4 million or 3% for the second quarter of 2008 from $40.3 million for the second quarter of 2007. This decrease in net revenue was primarily due to a decrease in national advertising sales and national advertising rates, which in turn was primarily due to the weak economy.

Our radio segment generated $24.0 million in net revenue in the second quarter of 2008 as we concentrated our efforts on expanding local sales, which accounted for 74% of total radio segment sales in the second quarter of 2008. Our radio results were driven by continued growth in some of our top advertising categories, including services, fast food and restaurants, and beverages. Our radio results were partly due to revenue growth from our radio stations that broadcast the Piolin por la Mañana, syndicated morning show, one of the highest-rated Spanish-language radio programs in the country, and have seen solid ratings

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growth in a number of these stations. Notwithstanding the net revenue growth of these particular stations, net revenue for our radio segment as a whole decreased by $2.3 million or 9% for the second quarter of 2008 from $26.2 million for the second quarter of 2007. The decrease in net revenue was primarily due to a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy. The decrease in net revenue was also partly due to the fact that in the second quarter 2007, we benefited from revenue from our annual Los Angeles promotional event. This event will be held in the third quarter in 2008, and as a result, we did not generate revenue from this event in the second quarter of 2008.

Pursuant to a stock repurchase plan authorized by the Board of Directors on November 1, 2006, we repurchased 1.2 million shares of Class A common stock for approximately $8.2 million during the three-month period ended June 30, 2008. Under that plan, we have repurchased a total of 13.0 million shares of Class A common stock for $100 million, the maximum amount authorized by the Board of Directors under this plan. On April 7, 2008, the Board of Directors approved the repurchase of an additional $100 million of the Company s Class A common stock. Under this new plan, we repurchased 1.1 million shares of Class A common stock for approximately $5.5 million during the three-month period ended June 30, 2008, or a total of 2.3 million shares for approximately $13.7 under both plans during the three-month period ended June 30, 2008, and a total of 14.1 million shares of Class A common stock for approximately $105.5 million under both plans from inception through June 30, 2008.

Acquisitions and Dispositions

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

In March 2008, we completed the acquisition of the net assets of radio station WNUE-FM in Orlando, Florida, for $24.1 million. With the addition of WNUE-FM, Orlando became our 11th market in which we own and operate both radio and television assets.

Relationship with Univision

Univision currently owns less than 15% of our common stock on a fully-converted basis. In connection with its merger with Hispanic Broadcasting Corporation in September 2003, Univision entered into an agreement with the U.S. Department of Justice, or DOJ, pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of our company would not exceed 15% by March 26, 2006 and will not exceed 10% by March 26, 2009.

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

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

Univision acts as our exclusive sales representative for the sale of all national advertising aired on Univision-affiliate television stations. During the three-month periods ended June 30, 2008 and 2007, the amount we paid to Univision in this capacity was $2.5 million and $2.6 million, respectively. During the six-month periods ended June 30, 2008 and 2007, the amount we paid to Univision in this capacity was $4.7 million and $5.0 million, respectively.

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Recent Accounting Pronouncements

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

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

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

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

In April 2008, the FASB issued FASB Staff Position (FSP) No. FAS 142-3, Determination of Useful Life of Intangible Assets (FSP 142-3). FSP 142-3 amends the factors that should be considered in developing the renewal or extension assumptions used to determine the useful life of a recognized intangible asset under SFAS 142, Goodwill and Other Intangible Assets (SFAS 142). The intent of this FSP is to improve the consistency between the useful life of an intangible asset determined under SFAS 142 and the period of expected cash flows used to measure the fair value of the asset under SFAS 141R. FSP 142-3 is effective for fiscal years beginning after December 15, 2008, and interim periods within those fiscal years. We are currently evaluating the impact of adopting FSP 142-3 on the financial statements.

Three-and Six-Month Periods Ended June 30, 2008 and 2007

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

	Three-Month Period Ended June 30, 2008	2007	% Change	Six-Month Period Ended June 30, 2008	2007	% Change
Statements of Operations Data:						
Net revenue	$ 62,932	$ 66,536	(5)%	$ 118,585	$ 123,431	(4)%
Direct operating expenses	25,942	25,009	4%	50,676	49,225	3%
Selling, general and administrative expenses	10,956	11,764	(7)%	21,631	22,593	(4)%
Corporate expenses	4,477	4,373	2%	8,931	9,002	(1)%
Depreciation and amortization	5,642	5,603	1%	11,187	11,323	(1)%
	47,017	46,749	1%	92,425	92,143	0%
Operating income	15,915	19,787	(20)%	26,160	31,288	(16)%
Interest expense	3,172	(1,807)	*	(19,423)	(12,917)	50%
Interest income	286	1,302	(78)%	717	2,566	(72)%
Income before income taxes	19,373	19,282	0%	7,454	20,937	(64)%
Income tax expense	(7,674)	(7,671)	0%	(2,679)	(8,417)	(68)%
Income before equity in net income (loss) of nonconsolidated affiliate and discontinued operations	11,699	11,611	1%	4,775	12,520	(62)%
Equity in net income (loss) of nonconsolidated affiliate	(38)	160	*	(164)	160	*
Income from continuing operations	11,661	11,771	(1)%	4,611	12,680	(64)%
Loss from discontinued operations	(919)	(3,173)	(71)%	(1,573)	(7,369)	(79)%
Net income applicable to common stockholders	$ 10,742	$ 8,598	25%	$ 3,038	$ 5,311	(43)%
Other Data:						
Capital expenditures	$ 4,444	$ 3,942		$ 8,473	$ 7,428	
Consolidated adjusted EBITDA (adjusted for non-cash stock-based compensation) (1)				$ 39,034	$ 44,217	
Net cash provided by operating activities				$ 17,395	$ 23,967	
Net cash provided by (used in) investing activities				$ 70,011	$ (10,565)	
Net cash provided by (used in) financing activities				$ (57,246)	$ 1,969	

* Percentage not meaningful.

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

Since our ability to borrow from our syndicated bank credit facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The maximum net debt ratio, or the ratio of consolidated total debt minus cash, up to a maximum of $20 million, to consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. Under our syndicated bank credit facility, our maximum net debt ratio may not exceed

7.0 to 1 on a pro forma basis for the prior full four quarters. The actual maximum net debt ratios were as follows (in each case as of June 30): 2008, 5.2 to 1; 2007, 4.8 to 1. Therefore, we were in compliance with this covenant at each of those dates. The maximum net debt ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense.

While many in the financial community and we consider consolidated adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of liquidity and financial performance prepared in accordance with accounting principles generally accepted in the United States of America, such as cash flows from operating activities, operating income and net income. As consolidated adjusted EBITDA excludes non-cash (gain) loss of sales of assets, non-cash depreciation and amortization, non-cash stock-based compensation, net interest expense, income tax expense

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(benefit), equity in net income (loss) of nonconsolidated affiliate, loss from discontinued operations and syndication programming amortization and includes syndication programming payments, consolidated adjusted EBITDA has certain limitations because it excludes and includes several important non-cash financial line items. Therefore, we consider both non-GAAP and GAAP measures when evaluating our business. We also use consolidated adjusted EBITDA, along with other factors, to make executive compensation decisions.

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

	Six-Month Period Ended June 30,	
	2008	**2007**
Consolidated adjusted EBITDA (1)	$ 39,034	$ 44,217
Interest expense	(19,423)	(12,917)
Interest income	717	2,566
Income tax expense	(2,679)	(8,417)
Amortization of syndication contracts	(1,555)	(415)
Payments on syndication contracts	1,422	478
Non-cash stock-based compensation included in direct operating expenses	(289)	(251)
Non-cash stock-based compensation included in selling, general and administrative expenses	(362)	(400)
Non-cash stock-based compensation included in corporate expenses	(903)	(1,018)
Depreciation and amortization	(11,187)	(11,323)
Equity in net income (loss) of nonconsolidated affiliates	(164)	160
Loss from discontinued operations	(1,573)	(7,369)
Net income	3,038	5,311
Depreciation and amortization	11,187	11,323
Deferred income taxes	1,660	7,233
Amortization of debt issue costs	202	202
Amortization of syndication contracts	1,555	415
Payments on syndication contracts	(1,422)	(478)
Equity in net (income) loss of nonconsolidated affiliate	164	(160)
Non-cash stock-based compensation	1,554	1,669
Change in fair value of interest rate swap agreements	3,211	(2,796)
Changes in assets and liabilities, net of effect of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	158	(5,983)
(Increase) decrease in prepaid expenses and other assets	78	(131)
Decrease in accounts payable, accrued expenses and other liabilities	(1,760)	(1,456)
Effect of discontinued operations	(2,230)	8,818
Cash flows from operating activities	$ 17,395	$ 23,967

Consolidated Operations

Net Revenue. Net revenue decreased to $62.9 million for the three-month period ended June 30, 2008 from $66.5 million for the three-month period ended June 30, 2007, a decrease of $3.6 million. Of the overall decrease, $2.3 million came from our radio segment and was primarily attributable to a decrease in second quarter revenue of $1.2 million associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008, as well as a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy. Additionally, $1.3 million of the decrease came from our television segment and was primarily attributable to a decrease in national advertising sales and national advertising rates, which in turn was primarily due to the weak economy.

Net revenue decreased to $118.6 million for the six-month period ended June 30, 2008 from $123.4 million for the six-month period ended June 30, 2007, a decrease of $4.8 million. Of the overall decrease, $2.8 million came from our radio segment and was primarily attributable to a decrease in revenue of $1.2 million associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008, as well as a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

Additionally, $2.0 million of the decrease came from our television segment and was primarily attributable to a decrease in national advertising rates, which in turn was primarily due to the weak economy.

We currently anticipate that net revenue will decrease during the third quarter of 2008 due to a challenging advertising environment despite the contribution of additional revenue in the third quarter from our annual Los Angeles promotional event. We do not know when the advertising environment will change. However, we anticipate that the advertising environment will improve when the economy improves. On a long-term basis, we anticipate that the number of advertisers purchasing Spanish-language advertising will rise and will result in greater demand for our inventory. We expect that this increased demand will, in turn, allow us to increase our rates, resulting in increases in net revenue in future periods on a long-term basis.

Direct Operating Expenses. Direct operating expenses increased to $26.0 million for the three-month period ended June 30, 2008 from $25.0 million for the three-month period ended June 30, 2007, an increase of $1.0 million. Of the overall increase, $0.9 million came from our radio segment. The increase was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue. The remaining increase of $0.1 million during the three-month period ended June 30, 2008 came from our television segment. The increase was primarily attributable to increases in news costs related to the expansion of our newscast operations, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue. As a percentage of net revenue, direct operating expenses increased to 41% for the three-month period ended June 30, 2008 from 38% for the three-month period ended June 30, 2007. Direct operating expenses as a percentage of net revenue increased because direct operating expenses increased while net revenue decreased.

Direct operating expenses increased to $50.7 million for the six-month period ended June 30, 2008 from $49.2 million for the six-month period ended June 30, 2007, an increase of $1.5 million. Of the overall increase, $1.1 million came from our radio segment. The increase was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue. The remaining increase of $0.4 million during the six-month period ended June 30, 2008 came from our television segment. The increase was primarily attributable to increases in news costs related to the expansion of our newscast operations, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue. As a percentage of net revenue, direct operating expenses increased to 43% for the six-month period ended June 30, 2008 from 40% for the six-month period ended June 30, 2007. Direct operating expenses as a percentage of net revenue increased because direct operating expenses increased while net revenue decreased.

We currently anticipate that our direct operating expenses will increase during the third quarter of 2008 and that direct operating expenses as a percentage of net revenue will also increase.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to $11.0 million for the three-month period ended June 30, 2008 from $11.8 million for the three-month period ended June 30, 2007, a decrease of $0.8 million. The decrease of $0.8 million came from our radio segment and was primarily attributable to a decrease in second quarter expenses associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008. As a percentage of net revenue, selling, general and administrative expenses decreased to 17% for the three-month period ended June 30, 2008 from 18% for the three-month period ended June 30, 2007. Selling, general and administrative expenses as a percentage of net revenue decreased because the decrease in selling, general and administrative expenses, due to the above factors, outpaced the decrease in net revenue.

Selling, general and administrative expenses decreased to $21.6 million for the six-month period ended June 30, 2008 from $22.6 million for the six-month period ended June 30, 2007, a decrease of $1.0 million. Of the overall decrease, $0.7 million came from our radio segment. The decrease was primarily attributable to a decrease in expenses associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008. The remaining decrease of $0.3 million during the six-month period ended June 30, 2008 came from our television segment. The decrease was primarily attributable to a decrease in bonuses and non-cash stock-based compensation expense. As a percentage of net revenue, selling, general and administrative expenses remained the same at 18% for each of the six-month periods ended June 30, 2008 and 2007.

We currently anticipate that, on a long-term basis, net revenue increases will stay even with or outpace selling, general and administrative expense increases such that selling, general and administrative expenses as a percentage of net revenue will continue to remain constant or decrease in future periods.

Corporate Expenses. Corporate expenses increased to $4.5 million for three-month period ended June 30, 2008 from $4.4 million for the three-month period ended June 30, 2007, an increase of $0.1 million. The increase was attributable to an increase in non-cash stock-based compensation of $0.1 million. As a percentage of net revenue, corporate expense remained the same at 7% for each of the three-month periods ended June 30, 2008 and 2007.

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Corporate expenses decreased to $8.9 million for six-month period ended June 30, 2008 from $9.0 million for the six-month period ended June 30, 2007, a decrease of $0.1 million. The decrease was attributable to a decrease in non-cash stock-based compensation of $0.1 million. As a percentage of net revenue, corporate expense increased to 8% for six-month period ended June 30, 2008 from 7% for the six-month period ended June 30, 2007, an increase of 1%. Corporate expenses as a percentage of net revenue increased because the decrease in revenue outpaced the decrease in corporate expenses.

We currently anticipate that our corporate expenses will remain constant during the third quarter of 2008 as compared to the third quarter of 2007. We currently anticipate that, on a long-term basis, net revenue increases will stay even with or outpace corporate expense increases such that corporate expenses as a percentage of net revenue will remain constant or decrease in future periods.

Depreciation and Amortization. Depreciation and amortization was $5.6 million for each of three-month periods ended June 30, 2008 and June 30, 2007.

Depreciation and amortization decreased to $11.2 million for six-month period ended June 30, 2008 from $11.3 million for the six-month period ended June 30, 2007, a decrease of $0.1 million.

Operating Income (Loss). As a result of the above factors, operating income was $15.9 million for the three-month period ended June 30, 2008, compared to an operating income of $19.8 million for the three-month period ended June 30, 2007. As a result of the above factors, operating income was $26.2 million for the six-month period ended June 30, 2008, compared to an operating income of $31.3 million for the six-month period ended June 30, 2007.

Interest Expense (Income). Interest income was $3.2 million for the three-month period ended June 30, 2008 compared to interest expense of from $1.8 million for the three-month period ended June 30, 2007, a decrease of $5.0 million. The decrease was primarily attributable to the increase in the fair value of our interest rate swap agreements.

Interest expense increased to $19.4 million for the six-month period ended June 30, 2008 from $12.9 million for the six-month period ended June 30, 2007, an increase of $6.5 million. The increase was attributable to the decrease in the fair value of our interest rate swap agreements.

Income Tax Benefit. Our expected annual tax rate is approximately 39% of pre-tax income or loss, adjusted for permanent tax differences. The tax benefit for the six-month period ended June 30, 2008 was higher than the annual effective tax rate because of state income and capital taxes. We currently have federal net operating loss carry-forwards of approximately $66.9 million available to offset future taxable income through the year 2026 that we expect will be utilized prior to their expiration.

Loss from Discontinued Operations. We sold our outdoor advertising operations during the second quarter of 2008 and no longer have outdoor advertising operations. In accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets, (SFAS 144) we reported the results of our outdoor advertising operations in discontinued operations within the statements of operations. The loss from discontinued operations decreased to $1.4 million for the six-month period ended June 30, 2008 from $7.4 million for the six-month period ended June 30, 2007, a decrease of $6.0 million. The decrease was primarily attributable to the decrease in depreciation and amortization.

Segment Operations

Television

Net Revenue. Net revenue in our television segment decreased to $38.9 million for the three-month period ended June 30, 2008 from $40.3 million for the three-month period ended June 30, 2007, a decrease of $1.4 million. The overall decrease was primarily attributable to a decrease national advertising sales and national advertising rates, which in turn was primarily due to the weak economy.

Net revenue in our television segment decreased to $75.0 million for the six-month period ended June 30, 2008 from $77.1 million for the six-month period ended June 30, 2007, a decrease of $2.1 million. The overall decrease was primarily attributable to a decrease in national advertising rates, which in turn was primarily due to the weak economy.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $16.2 million for the three-month period ended June 30, 2008 from $16.1 million for the three-month period ended June 30, 2007, an increase of $0.1 million. The increase was primarily attributable to increases in news costs related to the expansion of our newscast operations, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue.

Direct operating expenses in our television segment increased to $32.1 million for the six-month period ended June 30, 2008 from $31.7 million for the six-month period ended June 30, 2007, an increase of $0.4 million. The increase was primarily attributable to increases in news costs related to the expansion of our newscast operations, partially offset by a decrease in national representation fees and other expenses associated with the decrease in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment was $5.5 million for each of the three-month periods ended June 30, 2008 and 2007.

Selling, general and administrative expenses in our television segment decreased to $11.1 million for the six-month period ended June 30, 2008 from $11.4 million for the six-month period ended June 30, 2007, a decrease of $0.3 million. The decrease was primarily attributable to a decrease in bonuses and non-cash stock-based compensation expense.

Radio

Net Revenue. Net revenue in our radio segment decreased to $24.0 million for the three-month period ended June 30, 2008 from $26.2 million for the three-month period ended June 30, 2007, a decrease of $2.2 million. The decrease was primarily attributable to a decrease in second quarter revenue of $1.2 million associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008, as well as a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

Net revenue in our radio segment decreased to $43.5 million for the six-month period ended June 30, 2008 from $46.4 million for the six-month period ended June 30, 2007, a decrease of $2.9 million. The decrease was primarily attributable to a decrease in revenue of $1.2 million associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008, as well as a decrease in local advertising sales and local advertising rates, which in turn was primarily due to the weak economy.

There has been a general slowing of growth in the radio industry over recent quarters, and we expect that this will continue.

Direct Operating Expenses. Direct operating expenses in our radio segment increased to $9.8 million for the three-month period ended June 30, 2008 from $8.9 million for the three-month period ended June 30, 2007, an increase of $0.9 million. The increase was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue.

Direct operating expenses in our radio segment increased to $18.6 million for the six-month period ended June 30, 2008 from $17.5 million for the six-month period ended June 30, 2007, an increase of $1.1 million. The increase was primarily attributable to increases in wages and ratings services, partially offset by a decrease in expenses associated with the decrease in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment decreased to $5.4 million for the three-month period ended June 30, 2008 from $6.3 million for the three-month period ended June 30, 2007, a decrease of $0.9 million. The decrease was primarily attributable to a decrease in second quarter expenses associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008.

Selling, general and administrative expenses in our radio segment decreased to $10.5 million for the six-month period ended June 30, 2008 from $11.2 million for the six-month period ended June 30, 2007, a decrease of $0.7 million. The decrease was primarily attributable to a decrease in expenses associated with moving our annual Los Angeles promotional event from the second quarter to the third quarter in 2008.

Liquidity and Capital Resources

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

In May 2008, we sold our outdoor advertising operations to Lamar Advertising Co. for $101.5 million in cash. We believe that the net proceeds of the sale will strengthen our ability to invest in our core television and radio businesses while improving our financial flexibility.

Syndicated Bank Credit Facility

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

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

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

Our term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 4.29% at June 30, 2008. As of June 30, 2008, $470 million of our term loan was outstanding.

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

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

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

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

We can draw on our revolving facility without prior approval for working capital needs and for acquisitions having an aggregate maximum consideration of $25 million or less. Proposed acquisitions are conditioned upon our delivery to the agent bank of a covenant compliance certificate showing pro forma calculations assuming such acquisition had been consummated and revised

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revenue projections for the acquired properties. For acquisitions having an aggregate maximum consideration in excess of $100 million, consent is required from lenders holding more than 50% of the loans and commitments under the syndicated bank credit facility.

Derivative Instruments

As of June 30, 2008, we had three interest rate swap agreements with a $346 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010, and a fourth interest rate swap agreement with a $124 million notional amount, with quarterly increases, that also expires on October 1, 2010. The three interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. The fourth interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. It is expected that the term loan amount will not exceed the notional amount of the four interest rate swap agreements.

As of June 30, 2008 and 2007, these interest rate swap agreements were not designated for hedge accounting treatment and as a result, changes in their fair values are reflected currently in earnings. We recognized a reduction of $10.8 million and $6.1 million in interest expense related to the increase in fair value of the interest rate swap agreements for the three-month periods ended June 30, 2008 and 2007, respectively. We recognized an increase of $3.2 million and a reduction of $2.8 million in interest expense related to the change in fair value of the interest rate swap agreements for the six-month periods ended June 30, 2008 and 2007, respectively.

As of June 30, 2008, the fair value of the interest rate swap agreements was a liability of $14.8 million and is classified in other liabilities on our balance sheet. As of December 31, 2007, the fair value of the interest rate swap agreements was a liability of $11.6 million and is classified in other liabilities on our balance sheet.

Debt and Equity Financing

On May 9, 2002, we filed a shelf registration statement with the SEC to register up to $500 million of equity and debt securities, which we may offer from time to time. That shelf registration statement has been declared effective by the SEC. We have not yet issued any securities under the shelf registration statement. We intend to use the proceeds of any issuance of securities under the shelf registration statement to fund acquisitions or capital expenditures, to reduce or refinance debt or other obligations, and for general corporate purposes.

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

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

Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) decreased to $39.0 million for the six-month period ended June 30, 2008 from $44.2 million for the six-month period ended June 30, 2007, a decrease of $5.2 million, or 12%. As a percentage of net revenue, consolidated adjusted EBITDA decreased to 33% for the six-month period ended June 30, 2008 from 36% for the six-month period ended June 30, 2007.

We expect consolidated adjusted EBITDA to decline in the third quarter of 2008 as we expect net revenue to decrease and direct operating and selling, general and administrative expenses to increase.

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

definition of operating income (loss), and thus consolidated adjusted EBITDA, excludes (gain) loss on sale of assets, depreciation and amortization, non-cash stock-based compensation, net interest expense, income tax expense (benefit), equity in net income (loss) of nonconsolidated affiliate, loss from discontinued operations and syndication programming amortization.

Since our ability to borrow from our syndicated bank credit facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The maximum net debt ratio, or the ratio of consolidated total debt minus cash, up to a maximum of $20 million, to consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. Under our syndicated bank credit facility, our maximum net debt ratio may not exceed 7.0 to 1 on a pro forma basis for the prior full four quarters. The actual maximum net debt ratios were as follows (in each case as of June 30): 2008, 5.2 to 1; 2007, 4.8 to 1. Therefore, we were in compliance with this covenant at each of those dates. The maximum net debt ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense.

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

Consolidated adjusted EBITDA is a non-GAAP measure. For a reconciliation of consolidated adjusted EBITDA to cash flows from operating activities, its most directly comparable GAAP financial measure, please see page 18.

Cash Flow

Net cash flow provided by operating activities decreased to $17.4 million for the six-month period ended June 30, 2008 from $24.0 million for the six-month period ended June 30, 2007. Cash flow provided by operating activities decreased primarily due to a decrease in net income and a decrease in cash flow from discontinued operations. We expect to continue to have positive cash flow from operating activities for the remainder of the 2008 fiscal year.

Net cash flow provided by investing activities was $70.0 million for the six-month period ended June 30, 2008, compared to net cash flow used in investing activities of $10.6 million for the six-month period ended June 30, 2007. During the six-month period ended June 30, 2008, we received $101.5 million from the sale of our outdoor advertising business and spent $8.4 million on net capital expenditures and $22.9 million related to the acquisition of the assets of radio station WNUE-FM in Orlando, Florida. During the six-month period ended June 30, 2007 we spent $10.6 million on net capital expenditures, including the purchase of a full-power television construction permit in Colorado Springs, Colorado. We anticipate that our capital expenditures will be approximately $16 million for the entire 2008 fiscal year.

Net cash flow used in financing activities was $57.2 million for the six-month period ended June 30, 2008, compared to net cash flow provided by financing activities of $2.0 million for the six-month period ended June 30, 2007. During the six-month period ended June 30, 2008, we repurchased 5.8 million shares of our Class A common stock for $36.3 million including transaction fees, repurchased 1.5 million shares of our Class U common stock from Univision for $10.4 million, made net debt payments of $11.0 million and received net proceeds of $0.5 million from the sale of shares under our 2001 Employee Stock Purchase Plan (the 2001 Plan). During the six-month period ended June 30, 2007, we repurchased 0.4 million shares of our Class A common stock for $2.8 million, made debt payment of $1.1 million and received net proceeds of $5.5 million from the exercise of stock options and from the sale of shares issued under the 2001 Plan. Pursuant to a new stock repurchase program authorized by our Board of Directors on April 7, 2008, we plan to continue to repurchase our Class A common stock from time to time in future periods, depending upon market conditions and other factors, in open market transactions at prevailing market prices, block trades or private repurchases.

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

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

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

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

General

Market risk represents the potential loss that may impact our financial position, results of operations or cash flows due to adverse changes in the financial markets. We are exposed to market risk from changes in the base rates on our variable rate debt. Under our syndicated bank credit facility, if we exceed certain leverage ratios we would be required to enter into derivative financial instrument transactions, such as swaps or interest rate caps, in order to manage or reduce our exposure to risk from changes in interest rates. Under no circumstances do we enter into derivatives or other financial instrument transactions for speculative purposes.

Interest Rates

Our term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 4.29% at June 30, 2008. As of June 30, 2008, $470 million of our term loan was outstanding. Our revolving facility bears interest at LIBOR plus a margin ranging from 1% to 2% based on our leverage. As of June 30, 2008, we had approximately $2 million in outstanding letters of credit and $148 million was available under the revolving facility for future borrowings. Our syndicated bank credit facility requires us to enter into interest rate agreements if our leverage exceeds certain limits as defined in our credit agreement.

As of June 30, 2008, we had three interest rate swap agreements with a $346 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010, and one interest rate swap agreement with a $124 million notional amount, with quarterly increases, that also expires on October 1, 2010. The three interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. The fourth interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. It is expected that the term loan amounts will not exceed the notional amount of the four interest rate swap agreements.

We recognize all of our derivative instruments as either assets or liabilities in the consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. As of June 30, 2008, our interest rate swap agreements were not designated for hedge accounting treatment, and as a result, their fair value is classified as other liabilities on our balance sheet.

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Changes in fair value are reflected in interest expense on our statements of operations. We recognized a reduction of $10.8 million and $6.1 million in interest expense related to the increase in fair value of the interest rate swap agreements for the three-month periods ended June 30, 2008 and 2007, respectively. We recognized an increase of $3.2 million and a reduction of $2.8 million in interest expense related to the change in fair value of the interest rate swap agreements for the six-month periods ended June 30, 2008 and 2007, respectively. At June 30, 2008, the fair value of the interest rate swap agreements was a liability of $14.8 million and is classified as other liabilities on the balance sheet.

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

ITEM 4. CONTROLS AND PROCEDURES

We carried out an evaluation, under the supervision and with the participation of management, including our chief executive officer and chief financial officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended) as of the end of the period covered by this report. Based upon that evaluation, our chief executive officer and chief financial officer concluded that our disclosure controls and procedures are effective in making known to them in a timely manner material information relating to us (including our consolidated subsidiaries) that is required to be included in our periodic SEC reports.

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

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

PART II.

OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

No material change.

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

Issuer Purchases of Equity Securities

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

On April 7, 2008, the Board of Directors approved the repurchase of an additional $100 million of the Company s common stock. We are authorized to repurchase up to $100 million of our outstanding Class A common stock from time to time in open

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market transactions at prevailing market prices, block trades and private repurchases. The extent and timing of any repurchases will depend on market conditions and other factors. We repurchased 1.1 million shares of Class A common stock for approximately $5.5 million under this stock repurchase plan during the three-month period ended June 30, 2008.

For the three-month period ended June 30, 2008, we repurchased approximately 2.3 million shares of Class A common stock at an average price of $5.94 for an aggregate purchase price of approximately $13.7 million, all of which repurchases were made pursuant to the publicly announced program, as follows (unaudited):

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program (in thousands)
April 1, 2008 to April 30, 2008	1,250,400	$ 6.73	1,250,400	$ 99,778
May 1, 2008 to May 31, 2008	200,500	5.55	200,500	98,664
June 1, 2008 to June 30, 2008	856,600	4.87	856,600	94,494
Total	2,307,500	$ 5.94	2,307,500	$ 94,494

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

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

We held our annual meeting of stockholders on May 29, 2008. At that meeting, our Class A and Class B stockholders:

1. Elected seven directors to serve until our 2009 annual meeting of stockholders or until his or her successor is duly elected and qualified:

Name	For	Withheld
Walter F. Ulloa	277,256,990	1,110,362
Philip C. Wilkinson	276,786,894	1,580,458
Paul A. Zevnik	253,581,416	24,785,936
Darryl B. Thompson	278,166,676	200,676
Esteban E. Torres	278,051,754	315,598
Jesse Casso, Jr.	278,168,891	198,461
Gilbert R. Vasquez	278,168,763	198,589

2. Ratified the appointment of PricewaterhouseCoopers LLP, as our independent auditor for the fiscal year ending December 31, 2008:

Votes For	278,339,283
Votes Against	18,523
Abstentions	9,546
Broker Non-Votes	0

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

The following exhibits are attached hereto and filed herewith:

10.1	Form of Restricted Stock Unit Award under the 2004 Equity Incentive Plan.
31.1	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
31.2	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934.
32	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

Management contract or compensatory plan, contract or arrangement.

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SIGNATURES

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

ENTRAVISION COMMUNICATIONS CORPORATION

By: /s/ CHRISTOPHER T. YOUNG

Christopher T. Young

Executive Vice President, Treasurer

and Chief Financial Officer

Date: August 11, 2008

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