Sprouts Farmers Market, Inc.
Form 10-Q
November 05, 2015
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended September 27, 2015

Commission File Number: 001-36029

Sprouts Farmers Market, Inc.

(Exact name of registrant as specified in its charter)

Delaware	32-0331600
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

5455 East High Street, Suite 111

Phoenix, Arizona 85054

(Address of principal executive offices and zip code)

(480) 814-8016

(Registrant's telephone number, including area code)

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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T

(§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer	x	Accelerated filer	o
Non-accelerated filer	o (Do not check if a smaller reporting company)	Smaller reporting company	o

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

As of November 3, 2015, there were outstanding 153,590,850 shares of the registrant’s common stock, $0.001 par value per share.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 27, 2015

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains “forward-looking statements” that involve substantial risks and uncertainties. The statements contained in this Quarterly Report on Form 10-Q that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (referred to as the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (referred to as the “Exchange Act”), including, but not limited to, statements regarding our expectations, beliefs, intentions, strategies, future operations, future financial position, future revenue, projected expenses, and plans and objectives of management. In some cases, you can identify forward-looking statements by terms such as “anticipate,” “believe,” “estimate,” “expect,” “intend,” “may,” “might,” “plan,” “project,” “will,” “would,” “should,” “could,” “can,” “predict,” “poten “objective,” or the negative of these terms, and similar expressions intended to identify forward-looking statements. However, not all forward-looking statements contain these identifying words. These forward-looking statements reflect our current views about future events and involve known risks, uncertainties, and other factors that may cause our actual results, levels of activity, performance, or achievement to be materially different from those expressed or implied by the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in the section titled “Risk Factors” included in this Quarterly Report on Form 10-Q, our Annual Report on Form 10-K for the fiscal year ended December 28, 2014, and our other filings with the Securities and Exchange Commission. Furthermore, such forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires, references to the “Company,” “Sprouts,” “we,” “us” and “our” refer to Sprouts Farmers Market, Inc. and, where appropriate, its subsidiaries.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

	September 27, 2015	December 28, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 132,000	$ 130,513
Accounts receivable, net	24,997	14,091
Inventories	161,789	142,793
Prepaid expenses and other current assets	11,279	11,152
Deferred income tax asset	31,806	35,580
Total current assets	361,871	334,129
Property and equipment, net of accumulated depreciation	482,317	454,889
Intangible assets, net of accumulated amortization	193,207	194,176
Goodwill	368,078	368,078
Other assets	19,082	17,801
Total assets	$ 1,424,555	$ 1,369,073
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 138,656	$ 112,877
Accrued salaries and benefits	23,436	29,687
Other accrued liabilities	41,077	41,394
Current portion of capital and financing lease obligations	14,625	29,136
Current portion of long-term debt	—	7,746
Total current liabilities	217,794	220,840
Long-term capital and financing lease obligations	116,668	121,562
Long-term debt	160,000	248,611
Other long-term liabilities	95,469	74,071
Deferred income tax liability	17,980	18,600
Total liabilities	607,911	683,684
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Undesignated preferred stock; $0.001 par value; 10,000,000 shares authorized, no shares issued and outstanding	—	—
Common stock, $0.001 par value; 200,000,000 shares authorized,	154	152

153,589,350 and 151,833,334 shares issued and outstanding, September 27, 2015 and December 28, 2014, respectively		
Additional paid-in capital	573,526	543,048
Retained earnings	242,964	142,189
Total stockholders' equity	816,644	685,389
Total liabilities and stockholders' equity	$1,424,555	$1,369,073

The accompanying notes are an integral part of these consolidated financial statements.

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SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	September 27,	September 28,	September 27,	September 28,
	2015	2014	2015	2014
Net sales	$903,069	$ 766,415	$2,662,728	$ 2,232,831
Cost of sales, buying and occupancy	641,612	540,367	1,879,839	1,558,876
Gross profit	261,457	226,048	782,889	673,955
Direct store expenses	177,990	148,633	518,561	430,019
Selling, general and administrative expenses	27,075	24,015	74,492	69,594
Store pre-opening costs	1,825	3,684	7,105	7,051
Store closure and exit costs	167	60	1,711	393
Income from operations	54,400	49,656	181,020	166,898
Interest expense	(3,685)	(6,157)	(13,990)	(19,144)
Other income	171	281	345	477
Loss on extinguishment of debt	-	(1,138)	(5,481)	(1,138)
Income before income taxes	50,886	42,642	161,894	147,093
Income tax provision	(18,900)	(16,577)	(61,119)	(57,144)
Net income	$31,986	$ 26,065	$100,775	$ 89,949
Net income per share:				
Basic	$0.21	$ 0.17	$0.66	$ 0.60
Diluted	$0.21	$ 0.17	$0.65	$ 0.58
Weighted average shares outstanding:				
Basic	153,585	150,241	153,071	149,227
Diluted	155,952	154,306	155,841	153,879

The accompanying notes are an integral part of these consolidated financial statements.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(UNAUDITED)

(IN THOUSANDS, EXCEPT SHARE AMOUNTS)

	Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total Stockholders' Equity
Balances at December 29, 2013	147,616,560	$ 147	$ 479,127	$ 34,497	$ 513,771
Net income	—	—	—	107,692	107,692
Issuance of shares under option plans	4,216,774	5	11,307	—	11,312
Excess income tax benefit for exercise of options	—	—	47,261	—	47,261
Tax effect of forfeiture of vested options in equity	—	—	(2)	—	(2)
Equity-based compensation	—	—	5,355	—	5,355
Balances at December 28, 2014	151,833,334	$ 152	$ 543,048	$ 142,189	$ 685,389
Net income	—	—	—	100,775	100,775
Issuance of shares under option plans	1,756,016	2	6,120	—	6,122
Excess income tax benefit for exercise of options	—	—	19,584	—	19,584
Equity-based compensation	—	—	4,774	—	4,774
Balances at September 27, 2015	153,589,350	$ 154	$ 573,526	$ 242,964	$ 816,644

The accompanying notes are an integral part of these consolidated financial statements.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(IN THOUSANDS)

	Thirty-Nine Weeks Ended	
	September 27, 2015	September 28, 2014
Cash flows from operating activities		
Net income	$ 100,775	$ 89,949
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	50,665	40,586
Accretion of asset retirement obligation and closed facility reserve	251	755
Amortization of financing fees and debt issuance costs	617	1,152
Loss on disposal of property and equipment	1,257	1,038
Equity-based compensation	4,776	4,194
Loss on extinguishment of debt	5,481	1,138
Deferred income taxes	3,155	13,067
Changes in operating assets and liabilities:		
Accounts receivable	(11,150)	(4,654)
Inventories	(18,996)	(21,848)
Prepaid expenses and other current assets	(25)	1,617
Other assets	(444)	(5,474)
Accounts payable	28,641	7,094
Accrued salaries and benefits	(6,251)	3,374
Other accrued liabilities and income taxes payable	(370)	5,814
Other long-term liabilities	20,709	13,499
Net cash provided by operating activities	179,091	151,301
Cash flows from investing activities		
Purchases of property and equipment	(97,390)	(96,099)
Proceeds from sale of property and equipment	49	232
Net cash used in investing activities	(97,341)	(95,867)
Cash flows from financing activities		
Proceeds from revolving credit facility	260,000	—
Payments on revolving credit facility	(100,000)	—
Payments on term loan	(261,250)	(55,250)
Payments on capital lease obligations	(492)	(426)
Payments on financing lease obligations	(2,575)	(2,186)
Payments of deferred financing costs	(1,896)	—
Cash from landlord related to financing lease obligations	—	577
Excess tax benefit for exercise of stock options	19,584	35,041

Proceeds from the exercise of stock options	6,366	7,605
Net cash used in financing activities	(80,263)	(14,639)
Net increase in cash and cash equivalents	1,487	40,795
Cash and cash equivalents at beginning of the period	130,513	77,652
Cash and cash equivalents at the end of the period	$ 132,000	$ 118,447
Supplemental disclosure of cash flow information		
Cash paid for interest	$ 14,174	$ 18,164
Cash paid for income taxes	35,075	3,982
Supplemental disclosure of non-cash investing and financing activities		
Property and equipment in accounts payable	$ 11,141	$ 12,156
Property acquired through capital and financing lease obligations	9,899	9,113

The accompanying notes are an integral part of these consolidated financial statements.

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SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

1. Basis of Presentation

Sprouts Farmers Market, Inc., a Delaware corporation, through its subsidiaries, operates as a healthy grocery store that offers fresh, natural and organic food that includes fresh produce, bulk foods, vitamins and supplements, grocery, meat and seafood, bakery, dairy, frozen foods, body care and natural household items catering to consumers' growing interest in eating and living healthier. The "Company" is used to refer collectively to Sprouts Farmers Market, Inc. and unless the context otherwise requires, its subsidiaries.

The accompanying unaudited consolidated financial statements include the accounts of the Company in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial statements and are in the form prescribed by the Securities and Exchange Commission in instructions to Form 10-Q and Rule 10-01 of Regulation S-X. In the opinion of management, the accompanying consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, considered necessary for a fair statement of the Company's financial position, results of operations and cash flows for the periods indicated. All material intercompany accounts and transactions have been eliminated in consolidation. Interim results are not necessarily indicative of results for any other interim period or for a full fiscal year. The information included in these consolidated financial statements and notes thereto should be read in conjunction with Management's Discussion and Analysis of Financial Condition and Results of Operations included herein and Management's Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes thereto for the fiscal year ended December 28, 2014 included in the Company's Annual Report on Form 10-K, filed on February 26, 2015.

The year-end balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP.

The Company reports its results of operations on a 52- or 53-week fiscal calendar ending on the Sunday closest to December 31. Fiscal year 2015 is a 53-week year, and Fiscal year 2014 was a 52-week year. The Company reports its results of operations on a 13-week quarter, except for 53-week fiscal years. The fourth quarter of fiscal 2015 will include 14 weeks.

The Company has one reportable and one operating segment.

The Company's business is subject to modest seasonality. Average weekly sales fluctuate throughout the year and are typically highest in the first half of the fiscal year. Produce, which contributed 25% of the Company's net sales for the thirty-nine weeks ended September 27, 2015, is generally more available in the first six months of the fiscal year due to the timing of peak growing seasons.

During thirteen weeks ended June 28, 2015, the Company obtained sufficient historical redemption data for its gift card program to make a reasonable estimate of the ultimate redemption patterns and breakage rate. Accordingly, the Company recognized $0.1 million and $0.8 million of gift card breakage as a component of net sales in the accompanying Consolidated Statements of Operations for the thirteen and thirty-nine weeks ended September 27, 2015, respectively.

During the thirteen weeks ended September 27, 2015, the Company changed its store inventory count procedure and no longer counted each store at the end of the quarter. Previously the Company had counted inventory at each store at or near the balance sheet date and therefore recorded no estimate for shrink. The Company now counts store inventories on a rotational basis throughout the quarter. The change in timing necessitates making an estimate for shrink between the count date for each store and the reporting date. Accordingly, the inventory balance in the accompanying Consolidated Balance Sheets includes a $3.8 million inventory shrink reserve as of September 27, 2015.

All dollar amounts are in thousands, unless otherwise noted.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

2. Recently Issued Accounting Pronouncements

In April 2014, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." ASU No. 2014-08 amends previous guidance related to the criteria for reporting a disposal as a discontinued operation by elevating the threshold for qualification for discontinued operations treatment to a disposal that represents a strategic shift that has a major effect on an organization's operations or financial results. This guidance also requires expanded disclosures for transactions that qualify as a discontinued operation and requires disclosure of individually significant components that are disposed of or held for sale but do not qualify for discontinued operations reporting. This guidance is effective prospectively for all disposals or components initially classified as held for sale in periods beginning on or after December 15, 2014, with early adoption permitted. The Company's adoption of this guidance did not have a material effect on its consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." ASU No. 2014-09 provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These may include identifying performance obligations in the contract, and estimating the amount of variable consideration to include in the transaction price attributable to each separate performance obligation. This guidance will be effective for the Company for its fiscal year 2017. The FASB recently deferred the effective date of this guidance by one year, with early adoption permitted. The Company is currently evaluating the potential impact of this guidance.

In August 2014, the FASB issued ASU No. 2014-15, "Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern." ASU No. 2014-15 requires management to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern and to provide related footnote disclosures in certain circumstances. This guidance will be effective for the Company for its fiscal year 2017, with early adoption permitted. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, "Simplifying the Presentation of Debt Issuance Costs." ASU No. 2015-03 requires an entity to present debt issuance costs in the balance sheet as a direct deduction from the related debt liability rather than as an asset. Amortization of the costs will continue to be reported as interest expense. This guidance will be effective for the Company for its fiscal year 2017. Early adoption is permitted. The new guidance will be applied retrospectively to each prior period presented. The Company is currently evaluating the potential impact of this guidance.

In April 2015, the FASB issued ASU No. 2015-05, "Customer's Accounting for Fees Paid in a Cloud Computing Arrangement." ASU No. 2015-05 provides guidance to customers about whether a cloud computing arrangement includes a software license. If a cloud computing arrangement includes a software license, the customer should account for the software license element of the arrangement consistent with the acquisition of other software licenses. If the arrangement does not include a software license, the customer should account for a cloud computing arrangement as a service contract. This guidance will be effective for the Company for its fiscal year 2016. Early adoption is permitted. The amendment may be adopted either prospectively to all arrangements entered into or materially modified after the effective date or retrospectively. The Company is currently evaluating the potential impact of this guidance.

In July 2015, the FASB issued ASU No. 2015-11, “Simplifying the Measurement of Inventory.” ASU No. 2015-11 changes the measurement principle for inventory from the lower of cost or market to lower of cost and net realizable value. Net realizable value is defined as the estimated selling prices in the ordinary course of business; less reasonably predictable costs of completion, disposal and transportation. This guidance will be effective for the Company for its fiscal year 2017. The Company is currently evaluating the potential impact of this guidance.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

In September 2015, the FASB issued ASU No. 2015-16, “Business Combinations: Simplifying the Accounting For Measurement Period Adjustments.” ASU No. 2015-16 requires that an acquirer recognize adjustments to provisional amounts that are identified during the measurement period in the reporting period in which the adjustment amounts are determined. This guidance will be effective for the Company for its fiscal year 2016. The Company does not expect the adoption of this guidance to have a material effect on its consolidated financial statements.

No other new accounting pronouncements issued or effective during the period had, or are expected to have, a material impact on the Company’s consolidated financial statements.

3. Fair Value Measurements

The Company records its financial assets and liabilities in accordance with the framework for measuring fair value in accordance with GAAP. This framework establishes a fair value hierarchy that prioritizes the inputs used to measure fair value:

Level 1: Quoted prices for identical instruments in active markets.

Level 2: Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

Fair value measurements of nonfinancial assets and nonfinancial liabilities are primarily used in the impairment analysis of goodwill, indefinite-lived intangible assets and long-lived assets and in the valuation of store closure and exit costs.

The determination of fair values of certain tangible and intangible assets for purposes of the Company’s goodwill impairment evaluation as described above was based upon a step zero assessment. Closed facility reserves are recorded at net present value to approximate fair value which is classified as Level 3 in the hierarchy. The estimated fair value of the closed facility reserve is calculated based on the present value of the remaining lease payments and other charges using a weighted average cost of capital, reduced by estimated sublease rentals. The weighted average cost of capital was estimated using information from comparable companies and management’s judgment related to the risk associated with the operations of the stores.

Cash and cash equivalents, accounts receivable, prepaid expenses and other current assets, accounts payable, accrued salaries and benefits and other accrued liabilities approximate fair value because of the short maturity of those instruments. Based on open market transactions comparable to the Credit Facility (as defined in Note 6, “Long-Term Debt”), the fair value of the long-term debt, including current maturities, approximates carrying value as of September 27, 2015. Based on open market transactions comparable to the Former Term Loan (as defined in Note 6, “Long-Term

Debt”), the fair value of the long-term debt, approximates carrying value as of December 28, 2014.The Company’s estimates of the fair value of long-term debt (including current maturities) were classified as Level 2 in the fair value hierarchy.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

4. Accounts Receivable

A summary of accounts receivable is as follows:

	As Of September 27, 2015	December 28, 2014
Vendor	$ 15,207	$ 8,246
Receivables from landlords	6,808	1,993
Other	2,982	3,852
Total	$ 24,997	$ 14,091

The Company had recorded allowances for certain vendor receivables of $0.1 million and $0.3 million at September 27, 2015 and December 28, 2014, respectively.

Other receivables at December 28, 2014 included amounts receivable for payroll taxes and exercise prices for options exercised but for which the cash was not received by the balance sheet date.

5. Accrued Salaries and Benefits

A summary of accrued salaries and benefits is as follows:

	As Of September 27, 2015	December 28, 2014
Accrued payroll	$ 9,228	$ 9,196
Vacation	8,970	7,476
Bonus	4,295	12,138
Other	943	877
Total	$ 23,436	$ 29,687

6. Long-Term Debt

A summary of long-term debt is as follows:

			As Of	
Facility	Maturity	Interest Rate	September 27, 2015	December 28, 2014
Senior secured debt				
$450.0 million Credit Facility	April 17, 2020	Variable	$160,000	$ —
Former Term Loan, net of original issue discount	April 23, 2020	Variable	—	$ 256,357
Former Revolving Credit Facility	April 23, 2018	Variable	—	—
Total debt			160,000	256,357
Less current portion			—	(7,746)
Long-term debt, net of current portion			$160,000	$ 248,611

Current portion of long-term debt is presented net of issue discount of $1.0 million as of December 28, 2014. The non-current portion of long-term debt is presented net of issue discount of $3.9 million as of December 28, 2014.

Senior Secured Revolving Credit Facility

April 2015 Refinancing

On April 17, 2015, the Company's subsidiary, Sprouts Farmers Markets Holdings, LLC ("Intermediate Holdings"), as borrower, entered into a credit agreement (the "Credit Agreement") to replace the Former Revolving Credit Facility and Former Term Loan (each as defined below). The Credit

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Agreement provides for a revolving credit facility with an initial aggregate commitment of $450.0 million (the “Credit Facility”), which may be increased from time to time pursuant to an expansion feature set forth in the Credit Agreement.

Concurrently with the closing of the Credit Agreement, the Company borrowed $260.0 million to pay off its existing $257.8 million Former Term Loan (the “April 2015 Refinancing”), and to terminate all commitments under its existing senior secured credit facility, dated April 23, 2013 (the “Former Credit Facility”) and to pay transaction costs related to the April 2015 Refinancing. Such repayment resulted in a $5.5 million loss on extinguishment of debt due to the write-off of deferred financing costs and original issue discount. No amounts were outstanding under the Former Revolving Credit Facility on April 17, 2015. The remaining proceeds of loans made under the Credit Facility were used for general corporate purposes.

The Company capitalized debt issuance costs of $2.3 million related to the Credit Facility, which are being amortized on a straight-line basis to interest expense over the five-year term of the Credit Facility.

The Credit Agreement also provides for a letter of credit subfacility and a $15.0 million swingline facility. Letters of credit issued under the Credit Agreement reduce the borrowing capacity of the Credit Facility. Letters of credit totaling $2.5 million have been issued as of September 27, 2015, primarily to support the Company’s insurance programs.

Guarantees

Obligations under the Credit Facility are guaranteed by the Company and all of its current and future wholly-owned material domestic subsidiaries, and are secured by first-priority security interests in substantially all of the assets of the Company and its subsidiary guarantors, including, without limitation, a pledge by the Company of its equity interest in Intermediate Holdings.

Interest and Fees

Loans under the Credit Facility bear interest, at the Company’s option, either at adjusted LIBOR plus 1.25% per annum, or a base rate plus 0.25% per annum. The interest rate margins are subject to adjustment pursuant to a pricing grid based on the Company’s total gross leverage ratio, as defined in the Credit Agreement. Under the terms of the Credit Agreement, the Company is obligated to pay a commitment fee on the available unused amount of the Credit Facility commitments equal to 0.15% per annum.

Outstanding letters of credit under the Credit Facility are subject to a participation fee of 1.25% per annum and an issuance fee of 0.125% per annum.

Payments and Prepayments

The Credit Facility is scheduled to mature, and the commitments thereunder will terminate on April 17, 2020, subject to extensions as set forth the in the Credit Agreement.

The Company may repay loans and reduce commitments under the Credit Agreement at any time in agreed-upon minimum principal amounts, without premium or penalty (except LIBOR breakage costs, if applicable).

Following the closing of the Credit Facility and the initial borrowing of $260.0 million, the Company made a total of $100.0 million of principal payments on the Credit Facility, which reduced the Company’s total outstanding debt to $160.0 million at September 27, 2015.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Covenants

The Credit Agreement contains financial, affirmative and negative covenants. The negative covenants include, among other things, limitations on the Company's ability to:

- incur additional indebtedness;
- grant additional liens;
- enter into sale-leaseback transactions;
- make loans or investments;
- merge, consolidate or enter into acquisitions;
- pay dividends or distributions;
- enter into transactions with affiliates;
- enter into new lines of business;
- modify the terms of debt or other material agreements; and
- change its fiscal year

Each of these covenants is subject to customary and other agreed-upon exceptions.

In addition, the Credit Agreement requires that the Company and its subsidiaries maintain a maximum total net leverage ratio not to exceed 3.00 to 1.00 and minimum interest coverage ratio not to be less than 1.75 to 1.00. Each of these covenants is tested on the last day of each fiscal quarter, starting with the fiscal quarter ended June 28, 2015.

The Company was in compliance with all applicable covenants under the Credit Agreement as of September 27, 2015.

Former Credit Facility

On April 23, 2013, Intermediate Holdings, as borrower, refinanced (the "April 2013 Refinancing") its prior revolving credit facility and prior term loan, by entering into the Former Credit Facility. The Former Credit Facility provided for a $700.0 million term loan (the "Former Term Loan") and a $60.0 million senior secured revolving credit facility (the "Former Revolving Credit Facility").

The Former Term Loan, with a maturity date in April 2020, required quarterly principal payments, in an aggregate amount equal to 1.00% of the original principal balance, with the balance due on the final maturity date.

All amounts outstanding under the Former Term Loan bore interest, at the Company's option, at a rate per annum equal to LIBOR (with a 1.00% floor with respect to Eurodollar borrowings under the Term Loan), adjusted for statutory reserves, plus a margin equal to 3.00%, or an alternate base rate, plus a margin equal to 2.00%, as set forth in the Former Credit Facility.

The Former Credit Facility included the $60.0 million Former Revolving Credit Facility with a maturity date in April 2018. The Former Revolving Credit Facility included letter of credit and $5.0 million swingline loan subfacilities. Letters of credit issued under the Former Revolving Credit Facility reduced the borrowing capacity on the Former Credit Facility.

Interest terms on the Former Revolving Credit Facility were the same as the Former Term Loan.

The Company capitalized debt issuance costs of $1.1 million related to the Former Revolving Credit Facility, which were being amortized to interest expense over the term of the Former Revolving Credit Facility.

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Under the terms of the Former Credit Facility, the Company was obligated to pay a commitment fee on the available unused amount of the Former Revolving Credit Facility commitments equal to 0.50% per annum.

7. Closed Facility Reserves

The following is a summary of closed facility reserve activity during the thirty-nine weeks ended September 27, 2015 and fiscal year ended December 28, 2014:

	September 27, 2015	December 28, 2014
Beginning balance	$ 1,785	$ 4,713
Additions	1,144	688
Usage	(1,004)	(3,204)
Adjustments	389	(412)
Ending balance	$ 2,314	$ 1,785

Additions made during 2015 include remaining lease payments for the corporate support office relocation, and usage during 2015 primarily related to lease payments made during the period for closed stores. Additions made during 2014 related to the closure and relocation of one store and to the closure and relocation of the Texas warehouse, and usage during 2014 related to lease payments made during the period for closed stores.

8. Income Taxes

The Company’s effective tax rate for the thirteen weeks ended September 27, 2015 and September 28, 2014 was 37.1% and 38.9%, respectively. The primary reasons for the decrease in the effective tax rate were an increase in the enhanced deduction for charitable donations of food inventory and a decrease in the effective state income tax rate.

The Company’s effective tax rate for the thirty-nine weeks ended September 27, 2015 and September 28, 2014 was 37.8% and 38.9%, respectively. The primary reasons for the decrease in the effective tax rate were an increase in the enhanced deduction for charitable donations of food inventory and a decrease in the effective state income tax rate.

Excess tax benefits associated with stock option exercises and vested restricted stock units are credited to stockholders’ equity. The Company uses the tax law ordering approach of intraperiod allocation to allocate the benefit of windfall tax benefits based on provisions in the tax law that identify the sequence in which those amounts are utilized for tax purposes. The income tax benefits resulting from stock awards that were credited to stockholders' equity were $19.6 million for the thirty-nine weeks ended September 27, 2015, which included $0.1 million of income tax benefits related to stock award activity prior to 2015. The excess tax benefits are not credited to stockholders' equity until the deduction reduces income taxes payable.

9. Related-Party Transactions

A member of the Company's board of directors is an investor in a company that is a supplier of coffee to the Company. During the thirteen weeks ended September 27, 2015 and September 28, 2014, purchases from this supplier were $2.3 million and $2.0 million, respectively. During the thirty-nine weeks ended September 27, 2015 and September 28, 2014, purchases from this supplier were $7.1 million and $5.8 million, respectively. At September 27, 2015 and September 28, 2014, the Company had recorded accounts payable due to this supplier of $0.7 million and $0.6 million, respectively.

On November 3, 2015, the Company entered into an agreement to purchase an airplane from this board member for $7.5 million. The transaction is expected to close during November 2015, subject to customary pre-closing inspection.

Another member of the Company's board of directors purchased stock in a technology supplier to the Company in January 2015 and provided a loan to this company in May 2015. During the thirteen

SPROUTS FARMERS MARKET, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

weeks ended September 27, 2015 and September 28, 2014, purchases from this supplier were $1.7 million and $1.3 million, respectively. During the thirty-nine weeks ended September 27, 2015 and September 28, 2014, purchases from this supplier were $4.8 million and $4.2 million, respectively. At September 27, 2015 and September 28, 2014, the Company had recorded accounts payable due to this supplier of $0.2 million and zero, respectively.

This board member also provided a convertible loan to a technology supplier to the Company in September 2015. During the thirteen weeks ended September 27, 2015 and September 28, 2014, purchases from this supplier were $0.2 million and $0.3 million, respectively. During the thirty-nine weeks ended September 27, 2015 and September 28, 2014, purchases from this supplier were $0.4 million and $0.6 million, respectively. At both September 27, 2015 and September 28, 2014, the Company had recorded accounts payable due to this supplier of $0.1 million.

10. Commitments and Contingencies

The Company is exposed to claims and litigation matters arising in the ordinary course of business and uses various methods to resolve these matters that are believed to best serve the interests of the Company’s stakeholders. The Company’s primary contingencies are associated with self-insurance obligations. Self-insurance liabilities require significant judgment and actual claim settlements and associated expenses may differ from the Company’s current provisions for loss.

11. Stockholders’ Equity

Secondary Offering

On March 10, 2015, certain of the Company’s stockholders completed a secondary public offering of 15,847,800 shares of common stock (the “March Secondary Offering”). The Company did not sell any shares in or receive any proceeds of the March Secondary Offering.

12. Net Income Per Share

The computation of net income per share is based on the number of weighted average shares outstanding during the period. The computation of diluted net income per share includes the dilutive effect of share equivalents consisting of incremental shares deemed outstanding from the assumed exercise of options, assumed vesting of restricted stock units (“RSUs”) and assumed vesting of performance stock awards (“PSAs”).

A reconciliation of the numerators and denominators of the basic and diluted net income per share calculations is as follows (in thousands, except per share amounts):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended		
	September 27, 2015	September 28, 2014	September 27, 2015	September 28, 2014	
Basic net income per share:					
Net income	$31,986	$26,065	$100,775	$89,949	
Weighted average shares outstanding	153,585	150,241	153,071	149,227	
Basic net income per share	$0.21	(37,650)	(24,429)		
Interest income	50	44	86	3	260
Other income (loss)	—	—	—	687	—
Gain (loss) on debt extinguishment	(246)	(29,675)	(3,743)	(423)	(987)
Income (loss) before income taxes	45,566	(312)	19,713	(2,410)	(21,282)
Income tax (expense) benefit	(18,444)	134,137	(6,112)	(5,790)	3,376
Income (loss) before equity in net income (loss) of nonconsolidated affiliate	27,122	133,825	13,601	(8,200)	(17,906)
Equity in net income (loss) of nonconsolidated affiliate	—	—	—	—	(180)
Net income (loss)	$27,122	$133,825	$13,601	$(8,200)	$(18,086)
Net income (loss) per share, basic	$0.31	$1.53	$0.16	$(0.10)	$(0.21)
Net income (loss) per share, diluted	$0.30	$1.50	$0.16	$(0.10)	$(0.21)
Cash dividends declared per common share, basic	$0.10	$0.13	$0.12	$0.06	$—
Cash dividends declared per common share, diluted	$0.10	$0.12	$0.12	$0.06	$—
Weighted average common shares outstanding, basic	88,680,322	87,401,123	85,882,646	85,051,066	84,488,930
Weighted average common shares outstanding, diluted	90,943,734	89,338,696	86,314,206	85,051,066	84,488,930

	Years Ended December 31,				
	2014	2013	2012	2011	2010
Other Data:					
Capital expenditures	$9,111	$9,748	$9,900	$8,218	$7,177
Balance Sheet Data:					
Cash and cash equivalents	$31,260	$43,822	$36,130	$58,719	$72,390
Total assets	527,767	538,237	438,051	467,321	490,810
Long-term debt, including current portion	340,313	364,063	340,814	379,662	396,119
	$145,558	$136,024	$5,401	$(561)	$10,357

Total stockholders' equity (deficit)	

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

The following discussion of our consolidated results of operations and cash flows for the years ended December 31, 2014, 2013 and 2012 and consolidated financial condition as of December 31, 2014 and 2013 should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this document.

OVERVIEW

We are is a diversified media company serving Hispanic audiences primarily throughout the United States and the border markets of Mexico with a combination of television, radio and digital media properties. We believe that we are the largest independent public media company focused principally on the U.S. Hispanic audience. We currently operate in three reportable segments, television broadcasting, radio broadcasting and digital media. We previously operated in two reportable segments, television broadcasting and radio broadcasting. On June 18, 2014, we acquired Pulpo Media, Inc., or Pulpo, a leading provider of digital advertising services and solutions focused on reaching Hispanic audiences in the U.S. and Latin America. Beginning with the third quarter of 2014, we created a new operating segment, digital media, which consists of the financial results of Pulpo. Our net revenue for the year ended December 31, 2014 was $242.0 million. Of that amount, revenue generated by our television segment accounted for 68%, revenue generated by our radio segment accounted for 29%, and revenue generated by our digital segment accounted for 3%.

As of the date of filing this report, we own and/or operate 58 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C. We own and operate 49 radio stations (38 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas. We own and operate a national sales representation firm, Entravision Solutions, through which we sell advertisements and syndicate radio programming to approximately 350 stations across the United States. We also own and operate an online advertising platform that delivers digital advertising in a variety of formats to reach Hispanics audiences on Internet-connected devices.

We generate revenue primarily from sales of national and local advertising time on television stations, radio stations and digital media platforms, and from retransmission consent agreements that are entered into with Multichannel Video Programming Distributors, or MVPDs. Advertising rates are, in large part, based on each medium's ability to attract audiences in demographic groups targeted by advertisers. We recognize advertising revenue when commercials are broadcast and when display or other digital advertisements record impressions on the websites of our third party publishers. We do not obtain long-term commitments from our advertisers and, consequently, they may cancel, reduce or postpone orders without penalties. We pay commissions to agencies for local, regional and national advertising. For contracts directly with agencies, we record net revenue from these agencies. Seasonal revenue fluctuations are common in our industry and are due primarily to variations in advertising expenditures by both local and national advertisers. In addition, advertising revenue is generally higher during presidential election years (2016, 2020, etc.) resulting from political advertising.

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

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

Highlights

During 2014, we achieved revenue growth primarily driven by World Cup revenue, retransmission consent revenue, political advertising revenue, which was not material in 2013, and our new digital segment. Net revenue increased to $242.0 million, an increase of $18.1 million, from $223.9 million in 2013. Our audience shares remain strong in the nation’s most densely populated Hispanic markets, and we believe we are well positioned to benefit as the U.S. Hispanic market continues to expand and advertisers increasingly recognize the importance of reaching our target audience.

Net revenue for our television segment increased to $165.5 million in 2014, from $157.0 million in 2013. This increase of $8.5 million, or 5%, was primarily due to advertising revenue from the World Cup, an increase in retransmission consent revenue, and an increase in political advertising revenue, which was not material in 2013. These increases were partially offset by decreases in national and local advertising revenue. We generated a total of $26.4 million in retransmission consent revenue in 2014. We anticipate that retransmission consent revenue for the full year 2015 will be greater than it was for the full year 2014 and will continue to be a growing source of net revenues in future periods.

Net revenue for our radio segment increased to $69.9 million in 2014, from $66.9 million in 2013. This increase of $3.0 million, or 4%, was primarily due to advertising revenue from the World Cup, an increase in national advertising revenue, and an increase in political advertising revenue, which was not material in 2013. These increases were partially offset by a decrease in local advertising revenue.

Net revenue in our digital segment was $6.6 million for the year ended December 31, 2014. Since our digital media segment began in the third quarter of 2014, comparisons to the year ended December 31, 2013 are not possible.

Acquisitions and Dispositions

On June 18, 2014, we completed the acquisition of 100% of the common stock of Pulpo, a leading provider of digital advertising services and solutions focused on reaching Hispanic audiences in the U.S. and Latin America. In connection with the Pulpo acquisition, we acquired additional digital media platforms that the Company believes will enhance its offerings to the U.S. Hispanic marketplace. The transaction was funded from our cash on hand, for an aggregate cash consideration of $15.0 million, net of cash acquired of $0.7 million, and contingent consideration with a fair value of $1.4 million as of the acquisition date.

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

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

The acquisition of Pulpo includes a contingent consideration arrangement that requires additional consideration to be paid by the Company to Pulpo based upon the achievement of certain annual performance benchmarks over a three-year period. Amounts are payable 90 days after each fiscal year end beginning December 31, 2014. The range of the total undiscounted amounts the Company could pay under the contingent consideration agreement over the three-year period is between $0 and $3.0 million. The fair value of the contingent consideration recognized on the acquisition date of $1.4 million was estimated by applying the real options approach. Performance targets were achieved for the year ended December 31, 2014, and, accordingly, a payment of $1.0 million will be made to the sellers in 2015. As of December 31, 2014, we determined Pulpo is less likely to earn the full amount of the contingent consideration for the years 2015 and 2016. Therefore, we adjusted the fair value of the contingent consideration in the fourth quarter of 2014 to $1.3 million. The net impact of the contingent consideration adjustment was a reduction of $0.1 million and is included in corporate expense in the accompanying consolidated statements of operations.

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

The goodwill, which is not expected to be deductible for tax purposes, is assigned to the digital media segment and is attributable to Pulpo's workforce and expected synergies from combining Pulpo's operations with the Company's. The changes in the carrying amount of goodwill for each of the Company's operating segments for the year ended December 31, 2014 are as follows (in thousands):

	December 31, 2013	Acquisition	Impairment	December 31, 2014
Television	$ 35,912	$ —	$—	$ 35,912
Radio	735	—	(735)	—
Digital	—	14,169	—	14,169
Consolidated	$ 36,647	$ 14,169	$(735)	$ 50,081

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

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

Relationship with Univision

Substantially all of our television stations are Univision- or UniMás-affiliated television stations. Our network affiliation agreements with Univision provide certain of our owned stations the exclusive right to broadcast Univision's primary network and UniMás network programming in their respective markets. These long-term affiliation agreements each expire in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to our consent. Under our Univision network affiliation agreement, we retain the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes. Under our UniMás network affiliation agreement, we retain the right to sell approximately four and a half minutes per hour of the available advertising time the UniMás network, subject to adjustment from time to time by Univision.

Under the network affiliation agreements, Univision acts as our exclusive third-party sales representative for the sale of national advertising on our Univision- and UniMás-affiliate television stations, and we pay certain sales representation fees to Univision relating to sales of all advertising for broadcast on our Univision- and UniMás-affiliate television stations.

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

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and we have extended through March 31, 2015. Among other things, the proxy agreement provides terms relating to compensation to be paid to us by Univision with respect to retransmission consent agreements entered into with MVPDs. During the years ended December 31, 2014 and 2013, retransmission consent revenue accounted for approximately $26.4 million and $22.2 million, respectively. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

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

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RESULTS OF OPERATIONS

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

	Years Ended December 31,			% Change 2014 to 2013	% Change 2013 to 2012
	2014	2013	2012		
Net Revenue					
Television	$165,472	$156,994	$156,839	5 %	0 %
Radio	69,922	66,922	66,414	4 %	1 %
Digital	6,644	—	—	100 %	0 %
Consolidated	242,038	223,916	223,253	8 %	0 %
Cost of revenue - digital media	2,993	—	—	100 %	0 %
Direct operating expenses					
Television	63,569	63,623	56,664	(0)%	12 %
Radio	41,349	40,063	35,592	3 %	13 %
Digital	2,363	—	—	100 %	0 %
Consolidated	107,281	103,686	92,256	3 %	12 %
Selling, general and administrative expenses					
Television	17,278	15,797	20,571	9 %	(23)%
Radio	16,773	15,759	17,247	6 %	(9)%
Digital	1,348	—	—	100 %	0 %
Consolidated	35,399	31,556	37,818	12 %	(17)%
Depreciation and amortization					
Television	10,680	12,084	13,312	(12)%	(9)%
Radio	3,391	2,869	3,114	18 %	(8)%
Digital	592	—	—	100 %	0 %
Consolidated	14,663	14,953	16,426	(2)%	(9)%
Segment operating profit (loss)					
Television	73,945	65,490	66,292	13 %	(1)%
Radio	8,409	8,231	10,461	2 %	(21)%
Digital	(652)	—	—	100 %	0 %
Consolidated	81,702	73,721	76,753	11 %	(4)%
Corporate expenses	21,301	19,771	17,976	8 %	10 %
Impairment charge	735	-	-	100 %	0 %
Operating income (loss)	$59,666	$53,950	$58,777	11 %	(8)%
Consolidated adjusted EBITDA (1)	$79,277	$73,003	$76,863	9 %	(5)%
Capital expenditures					
Television	$6,084	$7,243	$8,339		
Radio	2,995	2,505	1,561		
Digital	32	—	—		
Consolidated	$9,111	$9,748	$9,900		
Total assets					
Television	$380,775	$412,487	$313,904		

Radio	124,050	125,750	124,147
Digital	22,942	—	—
Consolidated	$527,767	$538,237	$438,051

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

Since our ability to borrow from our 2013 Credit Facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our 2013 Credit Facility contains a total net leverage ratio financial covenant in the event that the revolving credit facility is drawn. The total net leverage ratio, or the ratio of consolidated total debt (net of up to $20 million of unrestricted cash) to trailing-twelve-month consolidated adjusted EBITDA, affects both our ability to borrow from our 2013 Credit Facility and our applicable margin for the interest rate calculation. Under our 2013 Credit Facility, our maximum total leverage ratio may not exceed 6.50 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of December 31): 2014, 4.0 to 1; 2013, 4.7 to 1. Therefore, we were in compliance with this covenant at each of those dates.

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

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

	Years Ended December 31,		
	2014	2013	2012
Consolidated adjusted EBITDA (1)	$79,277	$73,003	$76,863
Interest expense	(13,904)	(24,631)	(35,407)
Interest income	50	44	86
Gain (loss) on debt extinguishment	(246)	(29,675)	(3,743)
Income tax (expense) benefit	(18,444)	134,137	(6,112)
Amortization of syndication contracts	(440)	(587)	(707)
Payments on syndication contracts	578	1,258	1,698
Non-cash stock-based compensation included in direct operating expenses	(1,294)	(1,070)	(146)
Non-cash stock-based compensation included in selling, general and administrative expenses	—	—	(767)
Non-cash stock-based compensation included in corporate expenses	(3,057)	(3,701)	(1,738)
Depreciation and amortization	(14,663)	(14,953)	(16,426)
Impairment charge	(735)	-	-
Net income (loss)	27,122	133,825	13,601
Depreciation and amortization	14,663	14,953	16,426
Impairment charge	735	-	-
Deferred income taxes	17,585	(134,975)	6,477
Amortization of debt issue costs	820	1,647	2,284
Amortization of syndication contracts	440	587	707
Payments on syndication contracts	(578)	(1,258)	(1,698)
Non-cash stock-based compensation	4,351	4,771	2,651
(Gain) loss on debt extinguishment	246	29,675	3,743
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,128)	(8,706)	(3,740)
(Increase) decrease in prepaid expenses and other assets	(1,183)	(509)	321
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(3,661)	(7,255)	(740)
Cash flows from operating activities	$54,412	$32,755	$40,032

(footnotes on preceding page)

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

Consolidated Operations

Net Revenue. Net revenue increased to $242.0 million for the year ended December 31, 2014 from $223.9 million for the year ended December 31, 2013, an increase of $18.1 million. Of the overall increase, $8.5 million was generated by our television segment and was primarily attributable to advertising revenue from the World Cup, an increase in retransmission consent revenue, and an increase in political advertising revenue, which was not material in 2013, partially offset by decreases in national and local advertising revenue. Additionally, $3.0 million of the overall increase was generated by our radio segment and was primarily attributable to advertising revenue from the World

Cup, an increase in national advertising revenue, and an increase in political advertising revenue, which was not material in 2013, partially offset by a decrease in local advertising revenue. The remaining $6.6 million of the overall increase was generated by our new digital segment, resulting from our acquisition of Pulpo in June 2014 and which did not contribute to net revenue in periods prior to the third quarter of 2014.

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

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

Direct Operating Expenses. Direct operating expenses increased to $107.3 million for the year ended December 31, 2014 from $103.7 million for the year ended December 31, 2013, an increase of $3.6 million. Of the overall increase, $1.2 million was generated by our radio segment and was primarily attributable to an increase in salary expense. Additionally, $2.4 million of the overall increase was generated by our new digital segment, resulting from our acquisition of Pulpo in June 2014. As a percentage of net revenue, direct operating expenses decreased to 44% for the year ended December 31, 2014 from 46% for the year ended December 31, 2013. Direct operating expenses as a percentage of net revenue decreased because the increase in net revenue outpaced the increase in direct operating expenses.

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

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $35.4 million for the year ended December 31, 2014 from $31.6 million for the year ended December 31, 2013, a decrease of $3.8 million. Of the overall increase, $1.5 million was generated by our television segment and was primarily attributable to increases in bad debt expense, insurance and salary expense. Additionally, $1.0 million of the overall increase was generated by our radio segment and was primarily attributable to increases in employee benefits costs and payroll taxes associated with the increase in salary expense. The remaining $1.3 million of the overall increase was generated by our new digital segment, resulting from our acquisition of Pulpo in June 2014. As a percentage of net revenue, selling, general and administrative expenses increased to 15% for the year ended December 31, 2014 from 14% for the year ended December 31, 2013.

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

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

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

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

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

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

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

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

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

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

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

Segment Operations

Television

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

Direct Operating Expenses. Direct operating expenses in our television segment remained constant at $63.6 million for each of the years ended December 31, 2014 and 2013.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment increased to $17.3 million for the year ended December 31, 2014 from $15.8 million for the year ended December 31, 2013, an increase of $1.5 million. The increase was primarily attributable to increases in bad debt expense, insurance and salary expense.

Radio

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

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

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

Digital

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

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

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

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

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

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Consolidated Operations

Net Revenue. Net revenue increased to $223.9 million for the year ended December 31, 2013 from $223.3 million for the year ended December 31, 2012, an increase of $0.6 million. Of the overall increase, $0.5 million was generated by our radio segment and was primarily attributable to an increase in local advertising revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013. Additionally, the balance of the overall increase was generated by our television segment and was primarily attributable to increases in local advertising revenue and retransmission consent revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013.

We currently anticipate that net revenue will increase for the full year 2014, primarily due to advertising revenue from World Cup and political activity, as well as retransmission consent revenue.

Direct Operating Expenses. Direct operating expenses increased to $103.7 million for the year ended December 31, 2013 from $92.3 million for the year ended December 31, 2012, an increase of $11.4 million. Of the overall increase, $6.9 million was generated by our television segment and was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in performance based commissions and bonuses associated with the increase in local revenue. Additionally, $4.5 million of the overall increase was generated by our radio segment and was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in performance based commissions and bonuses associated with the increase in local revenue. As a percentage of net revenue, direct operating expenses increased to 46% for the year ended December 31, 2013 from 41% for the year ended December 31, 2012. Direct operating expenses as a percentage of net revenue increased because the increase in direct operating expenses outpaced the increase in net revenue. However, this increase as a percentage of revenue may not be directly comparable because of the new management structure and the shifting of certain expenses to direct operating expenses (which increased) from selling, general and administrative expense (which decreased).

We believe that direct operating expenses will continue to increase during 2014 primarily as a result of employee salary increases, and an increase in expenses associated with the anticipated increase in net revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased to $31.6 million for the year ended December 31, 2013 from $37.8 million for the year ended December 31, 2012, a decrease of $6.2 million. Of the overall decrease, $4.8 million was generated by our television segment and was primarily attributable to a decrease in salary expense due to the company’s new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense, and a decrease in bad debt expense. Additionally, $1.4 million of the overall decrease was generated by our radio segment and was primarily attributable to a decrease in salary expense due to our new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense. As a percentage of net revenue, selling, general and administrative expenses decreased to 14% for the year ended December 31, 2013 from 17% for the year ended December 31, 2012. Selling, general and administrative expenses as a percentage of net revenue decreased because net revenue increased and selling, general and administrative expenses decreased. However, this decrease as a percentage of revenue may not be directly comparable because of the new management structure and the shifting of certain expenses from selling, general and administrative expense (which decreased) to direct operating expenses (which increased).

We believe that selling, general and administrative expenses will increase during 2014 primarily as a result of employee salary increases.

Corporate expenses increased to $19.8 million for the year ended December 31, 2013 from $18.0 million for the year ended December 31, 2012, an increase of $1.8 million. The increase was primarily attributable to an increase in non-cash stock-based compensation expense. As a percentage of net revenue, corporate expenses increased to 9% for year ended December 31, 2013 from 8% for the year ended December 31, 2012.

We believe that corporate expenses will continue to increase during 2014 primarily as a result of increased non-cash stock-based compensation expenses.

Depreciation and Amortization. Depreciation and amortization decreased to $15.0 million for the year ended December 31, 2013 from $16.4 million for the year ended December 31, 2012, a decrease of $1.4 million. The decrease was primarily due to a decrease in depreciation as certain assets are now fully depreciated.

Operating Income. As a result of the above factors, operating income was $54.0 million for the year ended December 31, 2013, compared to $58.8 million for the year ended December 31, 2012.

Interest Expense. Interest expense decreased to $24.6 million for the year ended December 31, 2013 from $35.4 million for the year ended December 31, 2012, a decrease of $10.8 million. This decrease was primarily attributable to a lower average outstanding balance of our Notes, which were fully redeemed in August 2013, and due to our new Term Loan B under the 2013 Credit Facility, which bears interest at a lower rate than did our redeemed Notes.

Loss on Debt Extinguishment. We recorded a loss on debt extinguishment of $29.7 million, primarily related to the premium associated with the redemption of our Notes, the unamortized bond discount, and finance costs during the year ended December 31, 2013. We recorded a loss on debt extinguishment of $3.7 million related to the premium paid, unamortized finance costs and unamortized bond discount associated with the repurchase of Notes during the year ended December 31, 2012.

Income Tax Expense or Benefit. Income tax benefit for the year ended December 31, 2013 was $134.1 million. The effective income tax rate was significantly higher than our federal corporate income tax rate of 34%. The difference is due primarily to the release of the entire valuation allowance of our federal deferred tax assets and the release of the majority of the valuation allowance of our state deferred tax assets. Income tax expense for the year ended December 31, 2012 was $6.1 million. The effective income tax rate differed from our federal corporate income tax rate of 34% due to changes in the valuation allowance and deductions attributable to indefinite-lived intangible assets.

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

Prior to the fourth quarter of 2013, we maintained a valuation allowance for our entire deferred tax assets as a result of uncertainties regarding their realization due to numerous factors, including without limitation historical losses, the variability of operating results, and limited visibility into our future projected results. This valuation allowance was maintained since the likelihood of the realization of those assets had not become more likely than not based on our assessment of then available positive and negative evidence.

During our periodic review of the valuation allowance in the fourth quarter of 2013 we performed an analysis and a review of all positive and negative evidence such as recent historical operations, future projections of taxable income and tax planning strategies. We gave significant weight to objective and verifiable evidence, primarily the improving trend in our pretax core earnings in recent years and in recent quarters. We also considered subjective evidence including but not limited to future projected reversals of existing taxable temporary differences, taxable income in prior carryback years, future projected taxable income, and tax planning strategies that are prudent and feasible.

Based on our analysis we determined that it was more likely than not that our deferred tax assets would be realized except for certain expiring state net operating loss carryforwards. Accordingly, we reversed a valuation allowance of approximately $144 million and recorded the reduction as a tax benefit for the period.

Segment Operations

Television

Net Revenue. Net revenue in our television segment increased to $157.0 million for the year ended December 31, 2013 from $156.8 million for the year ended December 31, 2012, an increase of $0.2 million. The increase was primarily attributable to increases in local advertising revenue and retransmission consent revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013. We generated a total of $22.2 million and $20.2 million in retransmission consent revenue for the years ended December 31, 2013 and 2012, respectively. We anticipate that retransmission consent revenue for the full year 2014 will be greater than it was for the full year 2013 and will continue to be a growing source of net revenue in future periods.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $63.6 million for the year ended December 31, 2013 from $56.7 million for the year ended December 31, 2012, an increase of $6.9 million. The increase was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in performance based commissions and bonuses associated with the increase in local revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment decreased to $15.8 million for the year ended December 31, 2013 from $20.6 million for the year ended December 31, 2012, a decrease of $4.8 million. The decrease was primarily attributable to a decrease in salary expense due to the company's new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense, and a decrease in bad debt expense.

Radio

Net Revenue. Net revenue in our radio segment increased to $66.9 million for the year ended December 31, 2013 from $66.4 million for the year ended December 31, 2012, an increase of $0.5 million. The increase was primarily attributable to an increase in local advertising revenue, partially offset by a decrease in political advertising revenue, which was not material in 2013.

Direct Operating Expenses. Direct operating expenses in our radio segment increased to $40.1 million for the year ended December 31, 2013 from $35.6 million for the year ended December 31, 2012, an increase of $4.5 million. The increase was primarily attributable to an increase in salary expense due to our new management structure, which shifted salaries to direct operating expense from selling, general and administrative expense, and an increase in performance based commissions and bonuses associated with the increase in local revenue.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment decreased to $15.8 million for the year ended December 31, 2013 from $17.2 million for the year ended December 31, 2012, a decrease of $1.4 million. The decrease was primarily attributable to a decrease in salary expense due to our new management structure, which shifted salaries from selling, general and administrative expense to direct operating expense.

Liquidity and Capital Resources

While we have a history of operating losses in some periods and operating income in other periods, we also have a history of generating significant positive cash flows from our operations. We had net income of approximately $27.1 million, $133.8 million, and $13.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. We had positive cash flow from operations of $54.4 million, $32.8 million and $40.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. We expect to fund our working capital requirements, capital expenditures and payments of principal and interest on outstanding indebtedness, with cash on hand and cash flows from operations. We currently anticipate that funds generated from operations, cash on hand and available borrowings under our 2013 Credit Facility will be sufficient to meet our anticipated cash requirements for at least the next twelve months.

The following discussion pertains to our Notes and the related indenture governing the Notes, or the Indenture, as the same existed during the year ended December 31, 2013. On August 2, 2013, we redeemed the then outstanding Notes and the Indenture was terminated. Accordingly, only certain provisions of the Notes and the Indenture are summarized below. This discussion is qualified in its entirety by reference to the full text of the Notes and the Indenture.

On July 27, 2010, we completed the offering and sale of $400 million aggregate principal amount of our Notes. The Notes were issued at a discount to 98.722% of their principal amount and mature on August 1, 2017. Interest on the Notes accrued at a rate of 8.75% per annum from the date of original issuance and was payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2011. We received net proceeds of approximately $388 million from the sale of the Notes (net of bond discount of $5 million and fees of $7 million), which were used to pay all indebtedness then outstanding under our previous syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to offering of the Notes and for general corporate purposes.

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

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

During the fourth quarter of 2012, we repurchased Notes with a principal amount of $40.0 million pursuant to the optional redemption provisions in the Indenture. The redemption price for the redeemed Notes was 103% of the principal amount plus all accrued and unpaid interest. We recorded a loss on debt extinguishment of $2.5 million related to the premium paid and the write off of unamortized finance costs and unamortized bond discount.

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

We had a right to redeem:

- prior to August 1, 2013, on one or more occasions, up to 10% of the original principal amount of the Notes during each 12-month period beginning on August 1, 2010, at a redemption price equal to 103% of the principal amount of the Notes, plus accrued and unpaid interest;
- prior to August 1, 2013, on one or more occasions, up to 35% of the original principal amount of the Notes with the net proceeds from certain equity offerings, at a redemption price of 108.750% of the principal amount of the Notes, plus accrued and unpaid interest; provided that: (i) at least 65% of the aggregate principal amount of all Notes issued under the Indenture remains outstanding immediately after such redemption; and (ii) such redemption occurs within 60 days of the date of closing of any such equity offering;
- prior to August 1, 2013, some or all of the Notes may be redeemed at a redemption price equal to 100% of the principal amount of the Notes plus a "make-whole" premium plus accrued and unpaid interest; and
- on or after August 1, 2013, some or all of the Notes may be redeemed at a redemption price of: (i) 106.563% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2013; (ii) 104.375% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2014; (iii) 102.188% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2015; and (iv) 100% of the principal amount of the Notes if redeemed on or after August 1, 2016, in each case plus accrued and unpaid interest.

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

2012 Credit Facility

The following discussion pertains to our 2012 Credit Facility. The 2012 Credit Facility was terminated on May 31, 2013 when we entered into our 2013 Credit Facility. Accordingly, the following discussion summarizes only certain provisions of the 2012 Credit Facility and the 2012 Credit Agreement. This discussion is qualified in its entirety by reference to the full text of the 2012 Credit Agreement.

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

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

The 2012 Credit Facility was guaranteed on a senior secured basis by the Guarantors. The 2012 Credit Facility was secured on a first priority basis by the Company's and the Credit Guarantors' assets, which also secured the Notes. The Company's borrowings, if any, under the 2012 Credit Facility ranked senior to the Notes upon the terms set forth in the Intercreditor Agreement that the Company entered into in connection with the credit facility that was in effect at that time.

The 2012 Credit Agreement also contained additional provisions that are customary for an agreement of this type, including indemnification by the Company and the Credit Guarantors.

In connection with the Company entering into the Indenture and the 2012 Credit Agreement, the Company and the Guarantors also entered into the following agreements:

- a Security Agreement, pursuant to which the Company and the Guarantors each granted a first priority security interests in the collateral securing the Notes and the 2012 Credit Facility for the benefit of the holders of the Notes and the lender under the 2012 Credit Facility; and

- an Intercreditor Agreement, in order to define the relative rights of the holders of the Notes and the lender under the 2012 Credit Facility with respect to the collateral securing the Company's and the Guarantors' respective obligations under the Notes and the 2012 Credit Facility; and
- a Registration Rights Agreement, pursuant to which the Company registered the Notes and successfully conducted an exchange offering for the Notes in unregistered form, as originally issued.

Subject to certain exceptions, either the 2012 Credit Agreement, the Indenture, or both contained various provisions that limited our ability, among other things, to engage in certain transactions, make dividend payments and dispose of certain assets, as more fully provided therein.

2013 Credit Facility

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

Borrowings under the Term Loan A Facility were used on the Closing Date (together with cash on hand) to (a) repay in full all of our and our subsidiaries' outstanding obligations under the 2012 Credit Agreement and to terminate the 2012 Credit Agreement, and (b) pay fees and expenses in connection the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, we drew on borrowings under our Term Loan B Facility to (a) repay in full all of the outstanding loans under the Term Loan A Facility and (b) redeem in full all of the then outstanding Notes. We intend to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes and from time to time fund a portion of any acquisitions in which we may engage, in each case subject to the terms and conditions set forth in the 2013 Credit Agreement.

The 2013 Credit Facility is guaranteed on a senior secured basis by the Credit Parties. The 2013 Credit Facility is secured on a first priority basis by our and the Credit Parties' assets. Upon the redemption of the outstanding Notes, the security interests and guaranties of us and the Credit Parties under the Indenture and the Notes were terminated and released.

Our borrowings under the 2013 Credit Facility bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to either: (i) the Base Rate (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement); or (ii) LIBOR (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement). As of December 31, 2013, our effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 2013. The Term Loan B Facility expires on the Term Loan B Maturity Date, which is May 31, 2020 and the Revolving Credit Facility expires on the Revolving Loan Maturity Date, which is May 31, 2018.

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

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

(b) with respect to the Revolving Loans:

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

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

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

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

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

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

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

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

- default for three (3) business days in the payment of interest on borrowings under the 2013 Credit Facility when due;
- default in payment when due of the principal amount of borrowings under the 2013 Credit Facility;
- failure by us or any Credit Party to comply with the negative covenants, financial covenants (provided, that, an event of default under the Term Loan Facilities will not have occurred due to a violation of the financial covenants until the revolving lenders have terminated their commitments and declared all obligations to be due and payable), and certain other covenants relating to maintenance of customary property insurance coverage, maintenance of books and accounting records and permitted uses of proceeds from borrowings under the 2013 Credit Facility, each as set forth in the 2013 Credit Agreement;
- failure by us or any Credit Party to comply with any of the other agreements in the 2013 Credit Agreement and related loan documents that continues for thirty (30) days (or ten (10) days in the case of certain financial statement delivery obligations) after officers of us first become aware of such failure or first receive written notice of such failure from any lender;

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

- failure of us or any Credit Party to pay, vacate or stay final judgments aggregating over $15.0 million for a period of thirty (30) days after the entry thereof;
- certain events of bankruptcy or insolvency with respect to us or any Credit Party;

- certain change of control events;
- the revocation or invalidation of any agreement or instrument governing the Notes or any subordinated indebtedness, including the Intercreditor Agreement; and
- any termination, suspension, revocation, forfeiture, expiration (without timely application for renewal) or material adverse amendment of any material media license.

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

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

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

On December 31, 2013, we made a prepayment $10 million to reduce the amount of loans outstanding under our Term Loan B Facility.

Also on December 30, 2014, we made a prepayment $20 million to reduce the amount of loans outstanding under our Term Loan B Facility.

Debt and Equity Financing

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

As of December 31, 2014, we repurchased approximately 2.5 million shares of Class A common stock at an average price of $5.08, for an aggregate purchase price of approximately $12.5 million.

Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) increased to $79.3 million for the year ended December 31, 2014 from $73.0 million for the year ended December 31, 2013, an increase of $6.3 million, or 9%. As a percentage of net revenue, consolidated adjusted EBITDA remained flat at 33% for the each of the years ended December 31, 2014 and 2013.

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

Since our ability to borrow from our 2013 Credit Facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our 2013 Credit Facility contains a total net leverage ratio financial covenant in the event that the revolving credit facility is drawn. The total net leverage ratio, or the ratio of consolidated total debt (net of up to $20 million of unrestricted cash) to trailing-twelve-month consolidated adjusted EBITDA, affects both our ability to borrow from our 2013 Credit Facility and our applicable margin for the interest rate calculation. Under our 2013 Credit Facility, our maximum total leverage ratio may not exceed 6.50 to 1 in the event that the revolving credit facility is drawn. The total leverage ratio was as follows (in each case as of December 31): 2014, 4.0 to 1; 2013, 4.7 to 1. Therefore, we were in compliance with this covenant at each of those dates.

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

Consolidated adjusted EBITDA is a non-GAAP measure. For a reconciliation of consolidated adjusted EBITDA to cash flows from operating activities, its most directly comparable GAAP financial measure, please see page 46.

Cash Flow

Net cash flow provided by operating activities was $54.4 million for the year ended December 31, 2014 compared to net cash flow provided by operating activities of $32.8 million for the year ended December 31, 2013. We had net income of $27.1 million for the year ended December 31, 2014, which was partially offset by non-cash items, including depreciation and amortization expense of $14.7 million, and deferred income taxes of $17.6 million. We had net income of $133.8 million for the year ended December 31, 2013, which was primarily a result of the reversal of $144.0 million of our valuation allowance, partially offset by other non-cash items, including a loss on debt extinguishment of $29.7 million, and depreciation and amortization expense of $15.0 million. We expect to have positive cash flow from operating activities for the 2015 year.

Net cash flow used in investing activities was $23.7 million for the year ended December 31, 2014, compared to net cash flow used in investing activities of $10.2 million for the year ended December 31, 2013. During the year ended December 31, 2014, we acquired Pulpo for $15.0 million and spent $8.6 million on net capital expenditures. During the year ended December 31, 2013, we spent $10.2 million on net capital expenditures. We anticipate that our capital expenditures will be approximately $13.5 million during the full year 2015. The amount of our anticipated capital expenditures may change based on future changes in business plans, our financial condition and general economic conditions. We expect to fund capital expenditures with cash on hand and net cash flow from operations.

Net cash flow used in financing activities was $43.3 million for the year ended December 31, 2014, compared to net cash flow used in financing activities of $14.9 million for the year ended December 31, 2013. During the year ended December 31, 2014, we made debt payments of $23.8 million, repurchased our Class A shares for $12.5 million, and made dividend payments of $8.9 million. During the year ended December 31, 2013, we made debt payments of $381.7 million, a dividend payment of $11.0 million and received net proceeds of $375 million for the new term loan as part of the 2013 Credit Facility.

Commitments and Contractual Obligations

Our material contractual obligations at December 31, 2014 are as follows (in thousands):

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

Long Term Debt and related interest (1)	$412,898	$15,661	$37,364	$33,621	$326,252
Media research and ratings providers (2)	18,093	12,326	5,767	—	—
Operating leases (3)	68,877	8,812	14,079	10,979	35,007
Other material non-cancelable contractual obligations (4)	7,817	1,819	3,493	2,505	—
Total contractual obligations	$507,685	$38,618	$60,703	$47,105	$361,259

(1) These amounts represent estimated future cash interest payments and mandatory principal payments related to our 2013 Credit Facility. Future interest payments could differ materially from amounts indicated in the table due to future operational and financing needs, market factors and other currently unanticipated events.

(2) We have agreements with certain media research and ratings providers, expiring at various dates through December 2016, to provide television and radio audience measurement services.

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(3) We lease facilities and broadcast equipment under various operating lease agreements with various terms and conditions, expiring at various dates through September 2059. These amounts do not include month-to-month leases.

(4) These amounts consist primarily of obligations for sales software licenses. Due to the uncertainty with respect to the timing of future cash flows associated with our unrecognized tax benefits at December 31, 2014, we are unable to make reasonably reliable estimates of the period of cash settlement with the respective taxing authorities. Therefore, $0.9 million of liabilities related to uncertain tax positions have been excluded from the table above.

We have also entered into employment agreements with certain of our key employees, including Walter F. Ulloa, Jeffery A. Liberman, Mario M. Carrera and Christopher T. Young. Our obligations under these agreements are not reflected in the table above.

Other than lease commitments, legal contingencies incurred in the normal course of business and employment contracts for key employees, we do not have any off-balance sheet financing arrangements or liabilities. We do not have any majority-owned subsidiaries or any interests in or relationships with any variable-interest entities that are not included in our consolidated financial statements.

Application of Critical Accounting Policies and Accounting Estimates

Critical accounting policies are defined as those that are the most important to the accurate portrayal of our financial condition and results of operations. Critical accounting policies require management's subjective judgment and may produce materially different results under different assumptions and conditions. We have discussed the development and selection of these critical accounting policies with the Audit Committee of our Board of Directors, and the Audit Committee has reviewed and approved our related disclosure in this Management's Discussion and Analysis of Financial Condition and Results of Operations.

Goodwill

We believe that the accounting estimates related to the fair value of our reporting units and indefinite life intangible assets and our estimates of the useful lives of our long-lived assets are "critical accounting estimates" because: (1) goodwill and other intangible assets are our most significant assets, and (2) the impact that recognizing an impairment would have on the assets reported on our balance sheet, as well as on our results of operations, could be material. Accordingly, the assumptions about future cash flows on the assets under evaluation are critical

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. We test our goodwill and other indefinite-lived intangible assets for impairment annually on the first day of our fourth fiscal quarter, or more frequently if certain events or certain changes in circumstances indicate they may be impaired. In assessing the recoverability of goodwill and indefinite life intangible assets, we must make a series of assumptions about such things as the estimated future cash flows and other factors to determine the fair value of these assets.

Goodwill impairment testing is a two-step process. The first step is a comparison of the fair values of our reporting units to their respective carrying amounts. We have determined that each of our operating segments is a reporting unit. If a reporting unit's estimated fair value is equal to or greater than that reporting unit's carrying value, no impairment of goodwill exists and the testing is complete at the first step. However, if the reporting unit's carrying amount is greater than the estimated fair value, the second step must be completed to measure the amount of impairment of goodwill, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying amount to measure the amount of impairment loss, if any. If the implied fair value of goodwill is less than the carrying value of goodwill, then an impairment exists and an impairment loss is recorded for the amount of the difference.

We applied the guidance of Accounting Standards Update (“ASU”) No. 2011-8, “Testing Goodwill for Impairment” (“ASU 2011-8”), for the year ended December 31, 2014. Under this guidance, we would not be required to calculate the fair value of a reporting unit unless we determine, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount. We performed a qualitative assessment of the television reporting unit in accordance with ASU 2011-8 and determined that it was more likely than not that its fair value was greater than its carrying amount. We did not reach a definitive conclusion on the radio reporting unit under ASU 2011-8 so we performed the first step of goodwill impairment testing and compared the fair value of the radio reporting unit to its carrying amount.

As of December 31, 2014, we had $35.9 million of goodwill in our television reporting unit. We performed a qualitative assessment of the television reporting unit and determined that it was more likely than not that its fair value was greater than its carrying amount so we were not required to calculate the fair value of the television reporting unit. In the prior year, the fair value of our television reporting unit was greater than the carrying value by 215%. Therefore, we do not believe that we are at risk of failing step one of the goodwill impairment test in our television reporting unit for at least the foreseeable future. If it is more likely than not that its fair value is less than its carrying amount in future periods, we would, at that time, have to proceed to the two-step process of goodwill impairment testing.

The carrying value of our radio reporting unit exceeded the fair value so we performed the second step of goodwill impairment testing and determined to write down the remaining radio goodwill from $0.7 million to $0 during our 2014 annual impairment test so we do not have any goodwill in our radio reporting unit at December 31, 2014. Please see “Sensitivity of Critical Accounting Estimates – Radio” below.

The estimated fair value of goodwill is determined by using a combination of a market approach and an income approach. The market approach estimates fair value by applying sales, earnings and cash flow multiples to each reporting unit’s operating performance. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics to our reporting units. The market approach requires us to make a series of assumptions, such as selecting comparable companies and comparable transactions and transaction premiums. The current economic conditions have led to a decrease in the number of comparable transactions, which makes the market approach of comparable transactions and transaction premiums more difficult to estimate than in previous years.

The income approach estimates fair value based on our estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk of that reporting unit. The income approach also requires us to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. We estimated our discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to us. We also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. We estimated our revenue projections and profit margin projections based on internal forecasts about future performance.

Uncertain economic conditions, fiscal policy and other factors beyond our control potentially could have an adverse effect on the capital markets, which would affect the discount rate assumptions, terminal value estimates, transaction premiums and comparable transactions. Such uncertain economic conditions could also have an adverse effect on the fundamentals of our business and results of operations, which would affect our internal forecasts about future performance and terminal value estimates. Furthermore, such uncertain economic conditions could have a negative impact on the advertising industry in general or the industries of those customers who advertise on our stations, including, among others, the automotive, financial and other services, telecommunications, travel and restaurant industries, which in the aggregate provide a significant amount of our historical and projected advertising revenue. The activities of our competitors, such as other broadcast television stations and radio stations, could have an adverse effect on our internal forecasts about future performance and terminal value estimates. Changes in technology or our audience preferences, including increased competition from other forms of advertising-based mediums, such as Internet, social media and broadband content providers serving the same markets, could have an adverse effect on our internal forecasts about future performance, terminal value estimates and transaction premiums. Finally, the risk factors that we identify from time to time in our SEC reports could have an adverse effect on our internal forecasts about future performance, terminal value estimates and transaction premiums.

There can be no assurance that our estimates and assumptions made for the purpose of our goodwill impairment testing will prove to be accurate predictions of the future. If our assumptions regarding internal forecasts of future performance of our business as a whole or of our units are not achieved, if market conditions change and affect the discount rate, or if there are lower comparable transactions and transaction premiums, we may be required to record additional goodwill impairment charges in future periods. It is not possible at this time to determine if any such future change in our assumptions would have an adverse impact on our valuation models and result in impairment, or if it does, whether such impairment charge would be material.

Indefinite Life Intangible Assets

We believe that our broadcast licenses are indefinite life intangible assets. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to future cash flows. The evaluation of impairment for indefinite life intangible assets is performed by a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. The unit of accounting used to test broadcast licenses represents all licenses owned and operated within an individual market cluster, because such licenses are used together, are complimentary to each other and are representative of the best use of those assets. Our individual market clusters consist of cities or nearby cities. We test our broadcasting licenses for impairment based on certain assumptions about these market clusters.

The estimated fair value of indefinite life intangible assets is determined by using an income approach. The income approach estimates fair value based on the estimated future cash flows of each market cluster that a hypothetical buyer would expect to generate, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk. The income approach requires us to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. We estimate the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to us. We also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. We estimated the revenue projections and profit margin projections based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Alternatively, some stations under evaluation have had limited relevant cash flow history due to planned or actual conversion of format or upgrade of station signal. The assumptions we make about cash flows after conversion are based on the performance of similar stations in similar markets and potential proceeds from the sale of the assets. The fair values of our television FCC licenses for each of our market clusters exceeded the carrying values in amounts ranging from 38% to over 500%. The fair values of our radio FCC licenses for each of our market clusters exceeded the carrying values in amounts ranging from 14% to over 75%.

Uncertain economic conditions, fiscal policy and other factors beyond our control potentially could have an adverse effect on the capital markets, which would affect the discount rate assumptions, terminal value estimates, transaction premiums and comparable transactions. Such uncertain economic conditions could also have an adverse effect on the fundamentals of our business and results of operations, which would affect our internal forecasts about future performance and terminal value estimates. Furthermore, such uncertain economic conditions could have a negative impact on the advertising industry in general or the industries of those customers who advertise on our stations, including, among others, the automotive, financial and other services, telecommunications, travel and restaurant industries, which in the aggregate provide a significant amount of our historical and projected advertising revenue. The activities of our competitors, such as other broadcast television stations and radio stations, could have an adverse effect on our internal forecasts about future performance and terminal value estimates. Changes in technology or our audience preferences, including increased competition from other forms of advertising-based mediums, such as Internet, social media and broadband content providers serving the same markets, could have an adverse effect on our internal forecasts about future performance, terminal value estimates and transaction premiums. Finally, the risk factors that we identify from time to time in our SEC reports could have an adverse effect on our internal forecasts about future performance, terminal value estimates and transaction premiums.

There can be no assurance that our estimates and assumptions made for the purposes of our impairment testing will prove to be accurate predictions of the future. If our assumptions regarding internal forecasts of future performance of our business as a whole or of our units are not achieved, if market conditions change and affect the discount rate, or if there are lower comparable transactions and transaction premiums, we may be required to record additional impairment charges in future periods. It is not possible at this time to determine if any such future change in our assumptions would have an adverse impact on our valuation models and result in impairment, or if it does, whether such impairment charge would be material.

Long-Lived Assets, Including Intangibles Subject to Amortization

Depreciation and amortization of our long-lived assets is provided using the straight-line method over their estimated useful lives. Changes in circumstances, such as the passage of new laws or changes in regulations, technological advances, changes to our business model or changes in our capital strategy could result in the actual useful lives differing from initial estimates. In those cases where we determine that the useful life of a long-lived asset should be revised, we will depreciate the net book value in excess of the estimated residual value over its revised remaining useful life. Factors such as changes in the planned use of equipment, customer attrition, contractual amendments or mandated regulatory requirements could result in shortened useful lives.

Long-lived assets and asset groups are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

Deferred Taxes

Deferred taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when it is determined to be more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

In evaluating our ability to realize net deferred tax assets, we consider all reasonably available evidence including our past operating results, tax strategies and forecasts of future taxable income. In considering these factors, we make certain assumptions and judgments that are based on the plans and estimates used to manage our business.

We recognize the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. We recognize interest and penalties related to uncertain tax positions in income tax expense.

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue contracts with advertising agencies are recorded at an amount that is net of the commission retained by the agency. Revenue from contracts that we enter into directly with our advertisers is recorded at gross revenue and the related commission or national representation fee is recorded in operating expense. Cash payments received prior to services rendered result in deferred revenue, which is then recognized as revenue when the advertising time or space is actually provided. Digital related revenue is recognized when display or other digital advertisements record impressions on the websites of our third-party publishers.

We generate interactive revenues under arrangements that are sold on a stand-alone basis and those that are sold on a combined basis that are integrated with our broadcast revenue and reported within the television and radio segments. We have determined that these integrated revenue arrangements include multiple deliverables and have separated them into different units of accounting based on their relative sales price based upon management’s best estimate. Revenue for each unit of accounting is recognized as it is earned.

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

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and we have extended through March 31, 2015. Among other things, the proxy agreement provides terms relating to compensation to be paid to us by Univision with respect to retransmission consent agreements entered into with MVPDs.

Allowance for Doubtful Accounts

Our accounts receivable consist of a homogeneous pool of relatively small dollar amounts from a large number of customers. We evaluate the collectibility of our trade accounts receivable based on a number of factors. When we are aware of a specific customer's inability to meet its financial obligations to us, a specific reserve for bad debts is estimated and recorded which reduces the recognized receivable to the estimated amount we believe will ultimately be collected. In addition to specific customer identification of potential bad debts, bad debt charges are recorded based on our recent past loss history and an overall assessment of past due trade accounts receivable amounts outstanding.

Derivative Instruments

We use derivatives in the management of interest rate risk with respect to interest expense on variable rate debt. Our current policy prohibits entering into derivative instruments for speculation or trading purposes. We are party to interest rate swap agreements with financial institutions that will fix the variable benchmark component (LIBOR) of our interest rate on a portion of its term loan beginning December 31, 2015.

ASC 820, “Fair Value Measurements and Disclosures”, requires us to 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. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is a component of other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations.

The carrying amount of our interest rate swap agreements is recorded at fair value, including non-performance risk, when material. The fair value of each interest rate swap agreement is determined by using multiple broker quotes, adjusted for non-performance risk, when material, which estimate the future discounted cash flows of any future payments that may be made under such agreements.

Additional Information

For additional information on our significant accounting policies, please see Note 2 to Notes to Consolidated Financial Statements.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update (“ASU”) 2014-09, Revenue from Contracts with Customers (Topic 606) which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In August 2014, the Financial Accounting Standards Board issued ASU 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern. This update requires management to evaluate whether there is substantial doubt about the Company’s ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company does not expect this ASU to have a material impact on the Company’s consolidated financial statements upon adoption.

Sensitivity of Critical Accounting Estimates

We have critical accounting estimates that are sensitive to change. The most significant of those sensitive estimates relates to the impairment of intangible assets. Goodwill and indefinite life intangible assets are not amortized but instead are tested annually on October 1 for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired. In assessing the recoverability of goodwill and indefinite life intangible assets, we must make assumptions about the estimated future cash flows and other factors to determine the fair value of these assets.

Television

In calculating the estimated fair value of our television FCC licenses, we used models that rely on various assumptions, such as future cash flows, discount rates and multiples. The estimates of future cash flows assume that the television segment revenues will increase significantly faster than the increase in the television expenses, and therefore the television assets will also increase in value. If any of the estimates of future cash flows, discount rates, multiples or assumptions were to change in any future valuation, it could affect our impairment analysis and cause us to record an additional expense for impairment.

We conducted a review of our television indefinite life intangible assets by using an income approach. The income approach estimates fair value based on the estimated future cash flows of each market cluster that a hypothetical buyer would expect to generate, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk. The income approach requires us to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. We estimate the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to us. We also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. We estimated the revenue projections and profit margin projections based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Based on the assumptions and estimates described above, we did not record impairment in 2014 as the fair values of our television FCC licenses for each of our market clusters was greater than their respective carrying values. The fair values exceeded the carrying values in amounts ranging from 38% to over 500%.

We conducted our annual review of our television reporting unit in accordance with ASU 2011-8 and determined that it is more likely than not that its fair value is greater than its carrying amount. During our qualitative assessment, we considered adverse events or circumstances which could affect the fair value of our television reporting unit. We considered macroeconomic conditions, the broadcasting industry, the Spanish-language advertising industry, cost factors, our financial performance, our share price and other relevant events in our analysis. We also took into consideration that the fair value of our television reporting unit was greater than the carrying value by 215% in the prior year impairment testing. Based on our analysis, we determined that it is more likely than not that our television reporting unit fair value exceeded its carrying value so no impairment of goodwill was recorded.

Radio

In calculating the estimated fair value of our radio reporting unit and FCC licenses, we used models that rely on various assumptions, such as future cash flows, discount rates and multiples. The estimates of future cash flows assume that the radio segment revenues will increase significantly faster than the increase in the radio expenses, and therefore the radio assets will also increase in value. If any of the estimates of future cash flows, discount rates, multiples or assumptions were to change in any future valuation, it could affect our impairment analysis and cause us to record an additional expense for impairment.

We conducted a review of our radio indefinite life intangible assets by using an income approach. The income approach estimates fair value based on the estimated future cash flows of each market cluster that a hypothetical buyer would expect to generate, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk. The income approach requires us to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. We estimate the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to us. We also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. We estimated the revenue projections and profit margin projections based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Based on the assumptions and estimates described above, we did not record impairment in 2014 as the fair values of our radio FCC licenses for each of our market clusters was greater than their respective carrying values. The fair values exceeded the carrying values in amounts ranging from 14% to over 75%.

We conducted our annual review of our radio reporting unit as part of our goodwill testing and determined that the carrying value of our radio reporting unit exceeded the fair value. The fair value of the radio reporting unit was primarily determined by using a combination of a market approach and an income approach. The revenue projections and profit margin projections in the models are based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Alternatively, some stations under evaluation have had limited relevant cash flow history due to planned or actual conversion of format or upgrade of station signal. The assumptions about cash flows after conversion are based on the performance of similar stations in similar markets and potential proceeds from the sale of the assets. The market-based approach used comparable company earnings multiples. Based on the assumptions and estimates described above, we determined that our radio reporting unit carrying value exceeded its fair value and we recognized a goodwill impairment charge of $0.7 million in the fourth quarter of 2014, so we do not have any goodwill in our radio reporting unit at December 31, 2014.

Impact of Inflation

We believe that inflation has not had a material impact on our results of operations for each of our fiscal years in the three-year period ended December 31, 2014. However, there can be no assurance that future inflation would not have an adverse impact on our operating results and financial condition.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK
General

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

Interest Rates

As of December 31, 2014, we had $340.3 million of variable rate bank debt outstanding under our 2013 Credit Facility. The debt bears interest at LIBOR plus a margin of 2.5%. The LIBOR rate is subject to a 1.0% floor effectively resulting in an effective interest rate of 3.5% at December 31, 2014. In the event LIBOR remains below the floor rate we will still have to pay the floor rate plus the margin. If LIBOR rises above the floor rate, we will have to pay the prevailing LIBOR rate plus the margin.

Because our debt is subject to interest at a variable rate, our earnings will be affected in future periods by changes in interest rates. If LIBOR were to increase by 100 basis points, or one percentage point, from its December 31, 2014 level, our annual interest expense would increase and cash flow from operations would decrease by approximately $0.1 million based on the outstanding balance of our term loan as of December 31, 2014.

As required by the terms of our 2013 Credit Agreement, on December 16, 2013, we entered into three forward-starting interest rate swap agreements with an aggregated notional amount of $186.0 million at a fixed rate of 2.73%, resulting in an all-in fixed rate of 5.23%. The interest rate swap agreements take effect on December 31, 2015 with a maturity date in December 31, 2018. Under these interest rate swap agreements, we pay at a fixed rate and receive payments at a variable rate based on three-month LIBOR. The interest rate swap agreements effectively fix the floating LIBOR-based interest of $186.0 million outstanding LIBOR-based debt. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations. The change in fair value of the interest rate swap agreements for the years ended December 31, 2014 and 2013 was a loss of $2.4 million and a gain of $0.2 million, net of tax, respectively, and was included in other comprehensive income (loss). As of December 31, 2014, we estimate that none of the unrealized gains or losses included in accumulated other comprehensive income or loss related to these interest rate swap agreements will be realized and reported in earnings within the next twelve months.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See pages F-1 through F-35.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

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

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

Management's Report on Internal Control Over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of management, including our chief executive officer and chief financial officer, we conducted an evaluation of the effectiveness of our internal controls over financial reporting based on the framework in "Internal Control—Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2014.

Our internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures are being made only in accordance with authorizations of management and directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on the financial statements.

The audited consolidated financial statements included in this annual report on Form 10-K, include the results of Pulpo from the date of acquisition. Management's assessment of internal control over financial reporting for the year ended December 31, 2014 does not include an assessment of Pulpo, a wholly owned subsidiary, whose financial statements reflect total assets and revenues constituting 0.4 and 3 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014. The Pulpo acquisition is more fully described in Note 3 to the consolidated financial statements.

Our independent registered public accounting firm, Grant Thornton LLP, which has audited and reported on our financial statements, issued an attestation report regarding our internal controls over financial reporting as of December 31, 2014. Grant Thornton LLP's report is included in this annual report below.

Inherent Limitations on Effectiveness of Controls

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.

Changes in Internal Control

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2014 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders

Entravision Communications Corporation

We have audited the internal control over financial reporting of Entravision Communications Corporation (a Delaware corporation) (the "Company") as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting ("Management's Report"). Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. Our audit of, and opinion on, the Company's internal control over financial reporting does not include the internal control over financial reporting of Pulpo Media, Inc. ("Pulpo"), a wholly-owned subsidiary, whose financial statements reflect total assets and revenues constituting 0.3 and 3 percent, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2014. As indicated in Management's Report, Pulpo was acquired during 2014. Management's assertion on the effectiveness of the Company's internal control over financial reporting excluded internal control over financial reporting of Pulpo.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control-Integrated Framework issued by COSO.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended December 31, 2014, and our report dated March 6, 2015 expressed an unqualified opinion on those financial statements.

/s/ GRANT THORNTON LLP

Los Angeles, California

March 6, 2015

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information regarding our directors and matters pertaining to our corporate governance policies and procedures are set forth in “Proposal 1—Election of Directors” under the captions “Biographical Information Regarding Directors” and “Corporate Governance” in our definitive proxy statement for our 2015 Annual Meeting of Stockholders scheduled to be held on May 28, 2015, or the 2015 Proxy Statement. Such information is incorporated herein by reference.

Information regarding compliance by our directors and executive officers and owners of more than ten percent of our Class A common stock with the reporting requirements of Section 16(a) of the Exchange Act is set forth in the proxy statement under the caption “Section 16(a) Beneficial Ownership Reporting Compliance.” Such information is incorporated herein by reference.

ITEM 11. EXECUTIVE COMPENSATION

Information regarding the compensation of our executive officers and directors is set forth in “Proposal 1—Election of Directors” under the caption “Director Compensation” and under the caption “Summary of Cash and Certain Other Compensation” in the 2015 Proxy Statement. Such information is incorporated herein by reference.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information regarding ownership of our common stock by certain persons is set forth under the caption “Security Ownership of Certain Beneficial Owners and Management” and under the caption “Summary of Cash and Certain Other Compensation” in the 2015 Proxy Statement. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information regarding relationships or transactions between our affiliates and us is set forth under the caption “Certain Relationships and Related Transactions” in the 2015 Proxy Statement. Such information is incorporated herein by reference.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Information regarding fees paid to and services performed by our independent accountants is set forth in “Proposal 2—Ratification of Appointment of Independent Auditor” under the caption “Audit and Other Fees” in the 2015 Proxy

Statement. Such information is incorporated herein by reference.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Financial Statements

The consolidated financial statements contained herein are as listed on the “Index to Consolidated Financial Statements” on page F-1 of this report.

2. Financial Statement Schedule

The consolidated financial statement schedule contained herein is as listed on the “Index to Consolidated Financial Statements” on page F-1 of this report. All other schedules have been omitted because they are not applicable, not required, or the information is included in the consolidated financial statements or notes thereto.

3. Exhibits

See Exhibit Index.

(b) Exhibits:

The following exhibits are attached hereto and incorporated herein by reference.

Exhibit Number	Exhibit Description
3.1(2)	Second Amended and Restated Certificate of Incorporation
3.2(25)	Fourth Amended and Restated Bylaws, as adopted on December 3, 2014
10.1(3)†	2000 Omnibus Equity Incentive Plan
10.2(4)†	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2000 Omnibus Equity Incentive Plan
10.3(3)	Form of Voting Agreement by and among Walter F. Ulloa, Philip C. Wilkinson, Paul A. Zevnik and the registrant
10.4(5)†	Employment Agreement effective as of January 1, 2014 by and between the registrant and Walter F. Ulloa
10.5(7)†	Consulting Agreement effective as of April 25, 2012 by and between the registrant and Philip C. Wilkinson
10.6(16)†	Employment Agreement effective as of September 1, 2012 by and between the registrant and Jeffery A. Liberman

10.7(20)†	Executive Employment Agreement effective as of January 1, 2013 between the registrant and Christopher T. Young
10.8 (20)†	Executive Employment Agreement effective as of September 1, 2012 between the registrant and Mario M. Carrera
10.9 (26)†	Amended No. 1, effective as of January 1, 2015, to Executive Employment Agreement between the registrant and Mario M. Carrera
10.10(8)†	Form of Indemnification Agreement for officers and directors of the registrant
10.11(3)	Form of Investors Rights Agreement by and among the registrant and certain of its stockholders
10.12(1)	Amendment to Investor Rights Agreement dated as of September 9, 2005 by and between Entravision Communications Corporation and Univision Communications Inc.
10.13(1)	Letter Agreement regarding registration rights of Univision dated as of September 9, 2005 by and between Entravision Communications Corporation and Univision Communications Inc.
10.14(3)	Office Lease dated August 19, 1999 by and between Water Garden Company L.L.C. and Entravision Communications Company, L.L.C.
10.15(9)	First Amendment to Lease and Agreement Re: Sixth Floor Additional Space dated as of March 15, 2001 by and between Water Garden Company L.L.C., Entravision Communications Company, L.L.C. and the registrant

Exhibit Number	Exhibit Description
10.16(6)	Second Amendment to Lease dated as of October 5, 2005 by and between Water Garden Company L.L.C. and the registrant
10.17(17)	Third Amendment to Lease effective as of January 31, 2011 by and between Water Garden Company L.L.C. and the registrant
10.18(10)	Limited Liability Company Agreement of Lotus/Entravision Reps LLC dated as of August 10, 2001
10.19(11)	Master Network Affiliation Agreement, dated as of August 14, 2002, by and between Entravision Communications Corporation and Univision Network Limited Partnership
10.20(18)	Amendment, effective as of October 1, 2011, to Master Network Affiliation Agreement, dated as of August 14, 2002, by and between Entravision Communications Corporation and Univision Network Limited Partnership
10.21(11)	Master Network Affiliation Agreement, dated as of March 17, 2004, by and between Entravision Communications Corporation and TeleFutura
10.22(18)	Amendment, effective as of October 1, 2011, to Master Network Affiliation Agreement, dated as of March 17, 2004, by and between Entravision Communications Corporation and TeleFutura
10.23(2)†	2004 Equity Incentive Plan
10.24(12)†	First Amendment, dated as of May 1, 2006, to 2004 Equity Incentive Plan
10.25(13)†	Second Amendment, dated as of July 13, 2006, to 2004 Equity Incentive Plan
10.26(22)†	Third Amendment, dated as of April 23, 2014, to 2004 Equity Incentive Plan
10.27(23)†	Fourth Amendment, dated as of May 21, 2014, to 2004 Equity Incentive Plan
10.28(4)†	Form of Stock Option Award under the 2004 Equity Incentive Plan

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10.29(24)	Form of Restricted Stock Unit Award under the 2004 Equity Incentive Plan
10.30*	Form of Restricted Stock Unit Award under the 2004 Equity Incentive Plan
10.31*	Form of Restricted Stock Unit Award under the 2004 Equity Incentive Plan
10.32(24)†	Non-Employee Director Compensation Policy
10.33(14)	Indenture, dated as of July 27, 2010, by and among Entravision Communications Corporation, the guarantors named therein and Wells Fargo Bank, National Association, as Trustee
10.34(15)	

	Purchase Agreement, dated July 22, 2010, by and among Entravision Communications Corporation, the guarantors named therein and Citigroup Global Markets, Inc., as representatives of the initial purchasers
10.35(15)	Registration Rights Agreement, dated July 27, 2010, by and among Entravision Communications Corporation, the guarantors named therein and Citigroup Global Markets, Inc., as representatives of the initial purchasers
10.36(15)	Credit Agreement, dated July 27, 2010, by and among Entravision Communications Corporation, as the Borrower, the other persons designated as Credit Parties, General Electric Capital Corporation, for itself, as a Lender and as Agent for all Lenders, the other financial institutions party thereto and GE Capital Markets, Inc., as Sole Lead Arranger and Bookrunner

Exhibit Number	Exhibit Description
10.37(19)	First Amendment, dated February 24, 2012, to Credit Agreement, dated July 27, 2010, by and among Entravision Communications Corporation, as the Borrower, the other persons designated as Credit Parties, General Electric Capital Corporation, for itself, as a Lender and as Agent for all Lenders, the other financial institutions party thereto and GE Capital Markets, Inc., as Sole Lead Arranger and Bookrunner
10.38(19)	Credit Agreement, dated December 20, 2012, by and among Entravision Communications Corporation, as the Borrower, the other persons designated as Credit Parties, General Electric Capital Corporation, for itself, as a Lender and as Agent for all Lenders, the other financial institutions party thereto and GE Capital Markets, Inc., as Sole Lead Arranger and Bookrunner
10.39(15)	Security Agreement, dated July 27, 2010, by and among Entravision Communications Corporation, each other guarantor from time to time party thereto and General Electric Capital Corporation, as Collateral Trustee
10.40(15)	Collateral Trust and Intercreditor Agreement, dated July 27, 2010, by and among Entravision Communications Corporation, the guarantors from time to time party thereto, Wells Fargo Bank, National Association, as Trustee under the Indenture, the Administrative Agent, the other Priority Debt Representatives from time to time party thereto and General Electric Capital Corporation, as Collateral Trustee
10.41(21)	Credit Agreement, dated as of May 31, 2013, by and among Entravision Communications Corporation, as the Borrower, the other persons designated as Credit Parties, General Electric Capital Corporation, for itself, as a Lender and as Agent for all Lenders, the other financial institutions party thereto as Lenders, CitiGroup Global Markets, Inc., MacQuarie Capital (USA) Inc. and RBC Capital Markets, as Co-Syndication Agents and Joint Lead Arrangers, and GE Capital Markets, Inc., as Sole Lead Arranger and Bookrunner
10.42(21)	Amended and Restated Security Agreement, dated August 1, 2013, by and among Entravision Communications Corporation, each other guarantor from time to time party thereto and General Electric Capital Corporation, as Agent
21.1*	Subsidiaries of the registrant
23.1*	Consent of Grant Thornton LLP
23.2*	Consent of McGladrey LLP
24.1*	Power of Attorney (included after signatures hereto)
31.1*	Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934
31.2*	Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 and Rules 13a-14 and 15d-14 under the Securities Exchange Act of 1934
32*	Certification of Periodic Financial Report by the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document

101.SCH* XBRL Taxonomy Extension Schema Document

101.CAL* XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB* XBRL Taxonomy Extension Label Linkbase Document

101.PRE* XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF* XBRL Taxonomy Extension Definition Linkbase

* Filed herewith.
† Management contract or compensatory plan, contract or arrangement.

(1) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2005, filed with the SEC on November 9, 2005.
(2) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, filed with the SEC on August 9, 2004.
(3) Incorporated by reference from our Registration Statement on Form S-1, No. 333-35336, filed with the SEC on April 21, 2000, as amended by Amendment No. 1 thereto, filed with the SEC on June 14, 2000, Amendment No. 2 thereto, filed with the SEC on July 10, 2000, Amendment No. 3 thereto, filed with the SEC on July 11, 2000 and Amendment No. 4 thereto, filed with the SEC on July 26, 2000.
(4) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2004, filed with the SEC on March 15, 2005.
(5) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on December 20, 2013.
(6) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 16, 2006.
(7) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on April 27, 2012.
(8) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed with the SEC on September 15, 2000.
(9) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2000, filed with the SEC on March 28, 2001.
(10) Incorporated by reference from our Registration Statement on Form S-3, No. 333-81652, filed with the SEC on January 30, 2002, as amended by Post-Effective Amendment No. 1 thereto, filed with the SEC on February 25, 2002.
(11) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2004, filed with the SEC on May 10, 2004.
(12) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2006, filed with the SEC on May 10, 2006.
(13) Incorporated by reference from our Quarterly Report on Form 10-Q for the quarter ended September 30, 2006, filed with the SEC on November 9, 2006.
(14) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on July 27, 2010.
(15) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the SEC on August 10, 2010.
(16) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on September 28, 2012.
(17) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on March 25, 2011.
(18) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on January 5, 2011.
(19) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on February 24, 2012.
(20) Incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2012, filed with the SEC on March 11, 2013.
(21) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the SEC on August 5, 2013.
(c) Financial Statement Schedules:

Not applicable.

(22) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the SEC on May 9, 2014.

(23) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on May 30, 2014.

(24) Incorporated by reference from our Quarterly Report on Form 10-Q, filed with the SEC on August 7, 2014.

(25) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on December 5, 2014.

(26) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on December 24, 2014.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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/ WALTER F. ULLOA
Walter F. Ulloa

Chairman and Chief Executive Officer

Date: March 6, 2015

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints, jointly and severally, Walter F. Ulloa and Christopher T. Young, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934 this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ WALTER F. ULLOA	Chairman, Chief Executive Officer (principal executive officer) and Director	March 6, 2015
Walter F. Ulloa		
/s/ CHRISTOPHER T. YOUNG	Executive Vice President, Treasurer and Chief Financial Officer (principal financial officer and principal accounting officer)	March 6, 2015
Christopher T. Young		
/s/ PAUL A. ZEVNIK	Director	March 6, 2015

Paul A. Zevnik		
/s/ ESTEBAN E. TORRES	Director	March 6, 2015
Esteban E. Torres		
/s/ GILBERT R. VASQUEZ	Director	March 6, 2015
Gilbert R. Vasquez		
/s/ JULES G. BUENABENTA	Director	March 6, 2015
Jules G. Buenabenta		
/s/ Patricia Diaz Dennis	Director	March 6, 2015
Patricia Diaz Dennis		
/s/ Juan Saldivar von Wuthenau	Director	March 6, 2015
Juan Saldivar von Wuthenau		

ENTRAVISION COMMUNICATIONS CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders

Entravision Communications Corporation

We have audited the accompanying consolidated balance sheet of Entravision Communications Corporation (a Delaware corporation) and subsidiaries (the "Company") as of December 31, 2014, and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit), and cash flows for the year ended December 31, 2014. Our audit of the basic consolidated financial statements included the financial statement schedule for the year ended December 31, 2014 listed in the index appearing under Item 15(a). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entravision Communications Corporation and subsidiaries as of December 31, 2014, and the results of their operations and their cash flows for the year ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 6, 2015 expressed an unqualified opinion.

/s/ GRANT THORNTON LLP

Los Angeles, California

March 6, 2015

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders

Entravision Communications Corporation

We have audited the accompanying consolidated balance sheet of Entravision Communications Corporation (the Company) and its subsidiaries as of December 31, 2013 and the related consolidated statements of operations, comprehensive income, stockholders' equity (deficit) and cash flows for each of the two years in the period ended December 31, 2013. Our audits also included the financial statement schedule of Entravision Communications Corporation listed in Item 15(a) for each of the two years in the period ended December 31, 2013. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Entravision Communications Corporation and its subsidiaries as of December 31, 2013 and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ McGladrey LLP

Los Angeles, California

March 10, 2014

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ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31, 2014 and 2013

(In thousands, except share and per share data)

	December 31, 2014	December 31, 2013
ASSETS		
Current assets		
Cash and cash equivalents	$31,260	$43,822
Trade receivables, net of allowance for doubtful accounts of $3,100 and $3,199 (including related parties of $10,882 and $7,102)	64,956	57,043
Deferred income taxes	5,900	6,100
Prepaid expenses and other current assets (including related parties of $274 and $274)	5,295	4,087
Total current assets	107,411	111,052
Property and equipment, net of accumulated depreciation of $193,532 and $184,084	56,784	58,765
Intangible assets subject to amortization, net of accumulated amortization of $74,697 and $71,678 (including related parties of $16,239 and $18,559)	20,193	19,812
Intangible assets not subject to amortization	220,701	220,701
Goodwill	50,081	36,647
Deferred income taxes	66,558	83,856
Other assets	6,039	7,404
Total assets	$527,767	$538,237
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Current maturities of long-term debt	$3,750	$3,750
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $3,695 and $3,994)	32,195	31,246
Total current liabilities	36,063	35,114
Long-term debt, less current maturities	336,563	360,313
Other long-term liabilities	9,583	6,786
Total liabilities	382,209	402,213
Commitments and contingencies (note 11)		
Stockholders' equity		
Class A common stock, $0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2014 58,893,970; 2013 59,793,603	6	6
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2014 18,930,035; 2013 18,969,222	2	2
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2014 and 2013 9,352,729	1	1
Additional paid-in capital	912,161	927,377
Accumulated deficit	(764,474)	(791,596)
Accumulated other comprehensive income (loss)	(2,138)	234
Total stockholders' equity	145,558	136,024
Total liabilities and stockholders' equity	$527,767	$538,237

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2014, 2013 and 2012

(In thousands, except share and per share data)

	2014	2013	2012
Net revenue	$242,038	$223,916	$223,253
Expenses:			
Cost of revenue - digital media	2,993	-	-
Direct operating expenses (including related parties of $10,655, $10,322, and $10,599) (including non-cash stock-based compensation of $1,294, $1,070, and $146)	107,281	103,686	92,256
Selling, general and administrative expenses (including non-cash stock-based compensation of $0, $0, and $767)	35,399	31,556	37,818
Corporate expenses (including non-cash stock-based compensation of $3,057, $3,701, and $1,738)	21,301	19,771	17,976
Depreciation and amortization (includes direct operating of $10,037, $11,176, and $12,332; selling, general and administrative of $3,847, $2,923, and $2,858; and corporate of $779, $854, and $1,236) (including related parties of $2,320, $2,320, and $2,633)	14,663	14,953	16,426
Impairment charge	735	-	-
	182,372	169,966	164,476
Operating income (loss)	59,666	53,950	58,777
Interest expense	(13,904)	(24,631)	(35,407)
Interest income	50	44	86
Loss on debt extinguishment	(246)	(29,675)	(3,743)
Income (loss) before income taxes	45,566	(312)	19,713
Income tax (expense) benefit	(18,444)	134,137	(6,112)
Net income (loss)	$27,122	$133,825	$13,601
Basic and diluted earnings per share:			
Net income (loss) per share, basic	$0.31	$1.53	$0.16
Net income (loss) per share, diluted	$0.30	$1.50	$0.16
Cash dividends declared per common share, basic	$0.10	$0.13	$0.12
Cash dividends declared per common share, diluted	$0.10	$0.12	$0.12
Weighted average common shares outstanding, basic	88,680,322	87,401,123	85,882,646
Weighted average common shares outstanding, diluted	90,943,734	89,338,696	86,314,206

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years ended December 31, 2014, 2013 and 2012

(In thousands, except share and per share data)

	2014	2013	2012
Net income (loss)	$27,122	$133,825	$13,601
Other comprehensive income (loss), net of tax:			
Change in fair value of interest rate swap agreements	(2,372)	234	-
Total other comprehensive income (loss)	(2,372)	234	-
Comprehensive income (loss)	$24,750	$134,059	$13,601

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY (DEFICIT)

Years ended December 31, 2014, 2013 and 2012

(In thousands, except share data)

	Number of Common Shares				Common Stock			Additional		Accumulated Other	
				Treasury	Class	Class	Class	Paid-in	Accumulated	Comprehensive Income	
	Class A	Class B	Class U	Stock	A	B	U	Capital	Deficit	(Loss)	Total
Balance, December 31, 2011	53,514,769	22,188,161	9,352,729	-	$5	$2	$1	$938,453	$(939,022)	$—	$(561)
Issuance of common stock upon exercise of stock options or awards of restricted stock units	889,457	—	—	—	—	—	—	23	—	—	23
Stock-based compensation expense	—	—	—	—	—	—	—	2,651	—	—	2,651
Dividends paid	—	—	—	—	—	—	—	(10,313)	—	—	(10,313)
Net income (loss) for the year ended December 31, 2012	—	—	—	—	—	—	—	—	13,601	—	13,601
Balance, December 31, 2012	54,404,226	22,188,161	9,352,729	-	$5	$2	$1	$930,814	$(925,421)	$—	$5,401
Issuance of common stock upon exercise of stock options or awards of restricted stock units	2,170,438	—	—	—	1	—	—	2,806	—	—	2,807
Stock-based compensation expense	—	—	—	—	—	—	—	4,771	—	—	4,771

Class B common stock exchanged for Class A common stock	3,218,939	(3,218,939)	—	—	—	—	—	—	—	—	—
Dividends paid								(11,014)	—	—	(11,014)
Change in fair value of interest rate swap agreements	—	—	—	—	—	—	—	—	—	234	234
Net income (loss) for the year ended December 31, 2013	—	—	—	—	—	—	—	—	133,825	—	133,825
Balance, December 31, 2013	59,793,603	18,969,222	9,352,729	-	$6	$2	$1	$927,377	$(791,596)	$234	$136,024
Issuance of common stock upon exercise of stock options or awards of restricted stock units	1,531,100	—	—	—	-	—	—	1,841	—	—	1,841
Stock-based compensation expense	—	—	—	—	—	—	—	4,351	—	—	4,351
Class B common stock exchanged for Class A common stock	39,187	(39,187)	—	—	—	—	—	—	—	—	—
Repurchase of Class A common stock	—	—	—	(2,469,920)	—	—	—	(12,543)	—	—	(12,543)
Retirement of treasury stock	(2,469,920)	—	—	2,469,920	—	—	—	—	—	—	—
Dividends paid	—	—	—	—	—	—	—	(8,865)	—	—	(8,865)
Change in fair value of interest rate swap agreements	—	—	—	—	—	—	—	—	—	(2,372)	(2,372)
Net income (loss) for the year ended	—	—	—	—	—	—	—	—	27,122	—	27,122

December 31, 2014											
Balance, December 31, 2014	58,893,970	18,930,035	9,352,729	-	$6	$2	$1	$912,161	$(764,474)	$(2,138)	$145,558

See Notes to Consolidated Financial Statements

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2014, 2013 and 2012

(In thousands)

	2014	2013	2012
Cash flows from operating activities:			
Net income (loss)	$27,122	$133,825	$13,601
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	14,663	14,953	16,426
Impairment charge	735	-	-
Deferred income taxes	17,585	(134,975)	6,477
Amortization of debt issuance costs	820	1,647	2,284
Amortization of syndication contracts	440	587	707
Payments on syndication contracts	(578)	(1,258)	(1,698)
Non-cash stock-based compensation	4,351	4,771	2,651
(Gain) loss on debt extinguishment	246	29,675	3,743
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	(6,128)	(8,706)	(3,740)
(Increase) decrease in prepaid expenses and other assets	(1,183)	(509)	321
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(3,661)	(7,255)	(740)
Net cash provided by (used in) operating activities	54,412	32,755	40,032
Cash flows from investing activities:			
Purchases of property and equipment and intangibles	(8,609)	(10,174)	(9,856)
Purchase of a business, net of cash acquired	(15,048)	—	—
Net cash provided by (used in) investing activities	(23,657)	(10,174)	(9,856)
Cash flows from financing activities:			
Proceeds from stock option exercises	1,841	2,806	23
Payments on long-term debt	(23,750)	(375,984)	(61,800)
Dividends paid	(8,865)	(11,014)	(10,313)
Repurchase of Class A common stock	(12,543)	-	-
Proceeds from borrowings on long-term debt	-	375,000	20,000
Payments of capitalized debt offering and issuance costs	-	(5,697)	(675)
Net cash provided by (used in) financing activities	(43,317)	(14,889)	(52,765)
Net increase (decrease) in cash and cash equivalents	(12,562)	7,692	(22,589)
Cash and cash equivalents:			
Beginning	43,822	36,130	58,719
Ending	$31,260	$43,822	$36,130
Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest	$15,265	$32,586	$35,422
Income taxes	$859	$838	$(365)

See Notes to Consolidated Financial Statements

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ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Nature of Business

Entravision Communications Corporation (together with its subsidiaries, hereinafter referred to collectively as the "Company") is a diversified media company serving Hispanic audiences primarily throughout the United States and the border markets of Mexico with a combination of television, radio, and digital media properties. The Company's management has determined that the Company operates in three reportable segments as of December 31, 2014, based upon the type of advertising medium, which consist of television broadcasting, radio broadcasting, and digital media. The Company had previously operated in two reportable segments, television broadcasting and radio broadcasting. On June 18, 2014, the Company acquired Pulpo, a leading provider of digital advertising services and solutions focused on reaching Hispanic audiences in the U.S. and Latin America. Beginning with the third quarter of 2014, the Company created a new operating segment, digital media, which consists of the financial results of Pulpo Media, Inc. ("Pulpo"). The Company's segments results reflect information presented on the same basis that is used for internal management reporting and it is also how the chief operating decision maker evaluates the business. The results of this new segment for the interim period between the acquisition date and the beginning of the third quarter were not considered significant for reclassification. Additionally, the digital segment was not significant to our operations prior to the acquisition of Pulpo (as discussed in Note 3), and therefore the segment information for the years ended December 31, 2013 and 2012 has not been restated. As of December 31, 2014, the Company owns and/or operates 58 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, Massachusetts, Nevada, New Mexico, Texas and the Washington, D.C. area, consisting primarily of Univision Communications Inc. ("Univision") affiliated stations. Radio operations consist of 49 operational radio stations, 38 FM and 11 AM, in 19 markets located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas and a national sales representation firm, Entravision Solutions. The Company owns and operates a national sales representation firm, Entravision Solutions, through which we sell advertisements and syndicate radio programming to approximately 350 stations across the United States. The Company also owns and operates an online advertising platform that delivers digital advertising in a variety of formats to reach Hispanics audiences on Internet-connected devices.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Consolidation and Presentation

The accompanying consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation. Certain amounts in the Company's prior period consolidated financial statements and notes to the financial statements have been reclassified to conform to current period presentation.

Variable Interest Entities

The Company performs a qualitative analysis to determine if it is the primary beneficiary of a variable interest entity. This analysis includes consideration of who has the power to direct the activities of the entity that most significantly impact the entity's economic performance and who has the obligation to absorb losses or the right to receive benefits of the variable interest entity that could potentially be significant to the variable interest entity. The Company continuously reassesses whether it is the primary beneficiary of a variable interest entity.

The Company has consolidated one entity for which it is the primary beneficiary. Total net assets and results of operations of the entity as of and for the year ended December 31, 2014 are not significant.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

The Company's operations are affected by numerous factors, including changes in audience acceptance (i.e. ratings), priorities of advertisers, new laws and governmental regulations and policies and technological advances. The Company cannot predict if any of these factors might have a significant impact on the television, radio, and digital advertising industries in the future, nor can it predict what impact, if any, the occurrence of these or other events might have on the Company's operations and cash flows. Significant estimates and assumptions made by management are used for, but not limited to, the allowance for doubtful accounts, stock-based compensation, the estimated useful lives of long-lived and intangible assets, the recoverability of such assets by their estimated future undiscounted cash flows, the fair value of reporting units and indefinite life intangible assets, fair values of derivative instruments, disclosure of the fair value of debt, deferred income taxes and the purchase price allocations used in the Company's acquisitions.

Cash and Cash Equivalents

The Company considers all short-term, highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents. Cash and cash equivalents consist of funds held in general checking accounts, money market accounts and commercial paper. Cash and cash equivalents are stated at cost plus accrued interest, which approximates fair value.

Long-lived Assets, Other Assets and Intangibles Subject to Amortization

Property and equipment are recorded at cost. Depreciation and amortization are provided using the straight-line method over their estimated useful lives (see Note 5). The Company periodically evaluates assets to be held and used and long-lived assets held for sale, when events and circumstances warrant such review.

Syndication contracts are recorded at cost. Syndication amortization is provided using the straight-line method over their estimated useful lives.

Intangible assets subject to amortization are amortized on a straight-line method over their estimated useful lives (see Note 4). Favorable leasehold interests and pre-sold advertising contracts are amortized over the term of the underlying contracts. Deferred debt issuance costs are amortized over the life of the related indebtedness using the effective interest method.

Changes in circumstances, such as the passage of new laws or changes in regulations, technological advances or changes to the Company's business strategy, could result in the actual useful lives differing from initial estimates. Factors such as changes in the planned use of equipment, customer attrition, contractual amendments or mandated regulatory requirements could result in shortened useful lives. In those cases where the Company determines that the useful life of a long-lived asset should be revised, the Company will amortize or depreciate the net book value in excess of the estimated residual value over its revised remaining useful life.

Long-lived assets and asset groups are evaluated for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. The estimated future cash flows are based upon, among other things, assumptions about expected future operating performance, and may differ from actual cash flows. Long-lived assets evaluated for impairment are grouped with other assets to the lowest level for which identifiable cash flows are largely independent of the cash flows of other groups of assets and liabilities. If the sum of the projected undiscounted cash flows (excluding interest) is less than the carrying value of the assets, the assets will be written down to the estimated fair value in the period in which the determination is made.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in each business combination. The Company tests its goodwill and other indefinite-lived intangible assets for impairment annually on the first day of its fourth fiscal quarter, or more frequently if certain events or certain changes in circumstances indicate they may be impaired. In assessing the recoverability of goodwill and indefinite life intangible assets, the Company must make a series of assumptions about such things as the estimated future cash flows and other factors to determine the fair value of these assets.

Goodwill impairment testing is a two-step process. The first step is a comparison of the fair values of the Company's reporting units to their respective carrying amounts. The Company has determined that each of its operating segments is a reporting unit. If a reporting unit's estimated fair value is equal to or greater than that reporting unit's carrying value, no impairment of goodwill exists and the testing is complete at the first step. However, if the reporting unit's carrying amount is greater than the estimated fair value, the second step must be completed to measure the amount of impairment of goodwill, if any. The second step of the goodwill impairment test compares the implied fair value of a reporting unit's goodwill with its carrying amount to measure the amount of impairment loss, if any. If the implied fair value of goodwill is less than the carrying value of goodwill, then an impairment exists and an impairment loss is recorded for the amount of the difference.

The estimated fair value of goodwill is determined by using a combination of a market approach and an income approach. The market approach estimates fair value by applying sales, earnings and cash flow multiples to each reporting unit's operating performance. The multiples are derived from comparable publicly-traded companies with similar operating and investment characteristics to the Company's reporting units. The market approach requires the Company to make a series of assumptions, such as selecting comparable companies and comparable transactions and transaction premiums. The current economic conditions have led to a decrease in the number of comparable transactions, which makes the market approach of comparable transactions and transaction premiums more difficult to estimate than in previous years.

The income approach estimates fair value based on the Company's estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk of that reporting unit. The income approach also requires the Company to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. The Company estimated discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to the Company. The Company also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. The Company estimated revenue projections and profit margin projections based on internal forecasts about future performance.

The Company has applied Accounting Standards Update ("ASU") No. 2011-8, "Testing Goodwill for Impairment" ("ASU 2011-8"), for the year ended December 31, 2014. Under this guidance, the Company would not be required to calculate the fair value of a reporting unit unless the entity determines, based on a qualitative assessment, that it is more likely than not that its fair value is less than its carrying amount.

Indefinite Ljfe Intangible Assets

The Company believes that its broadcast licenses are indefinite life intangible assets. An intangible asset is determined to have an indefinite useful life when there are no legal, regulatory, contractual, competitive, economic or any other factors that may limit the period over which the asset is expected to contribute directly or indirectly to future cash flows. The evaluation of impairment for indefinite life intangible assets is performed by a comparison of the asset's carrying value to the asset's fair value. When the carrying value exceeds fair value, an impairment charge is recorded for the amount of the difference. The unit of accounting used to test broadcast licenses represents all licenses owned and operated within an individual market cluster, because such licenses are used together, are complimentary to each other and are representative of the best use of those assets. The Company's individual market clusters consist of cities or nearby cities. The Company tests its broadcasting licenses for impairment based on certain assumptions about these market clusters.

The estimated fair value of indefinite life intangible assets is determined by using an income approach. The income approach estimates fair value based on the estimated future cash flows of each market cluster that a hypothetical buyer would expect to generate, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk. The income approach requires the Company to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. The Company estimates the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to the Company. The Company also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. The Company estimated the revenue projections and profit margin projections based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Alternatively, some stations under evaluation have had limited relevant cash flow history due to planned or actual conversion of format or upgrade of station signal. The assumptions the Company makes about cash flows after conversion are based on the performance of similar stations in similar markets and potential proceeds from the sale of the assets.

Concentrations of Credit Risk and Trade Receivables

The Company's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and trade accounts receivable. The Company from time to time may have bank deposits in excess of the FDIC insurance limits. As of December 31, 2014, substantially all deposits are maintained in one financial institution. The Company has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Company routinely assesses the financial strength of its customers and, as a consequence, believes that its trade receivable credit risk exposure is limited. Trade receivables are carried at original invoice amount less an estimate made for doubtful receivables based on a review of all outstanding amounts on a monthly basis. A valuation allowance is provided for known and anticipated credit losses, as determined by management in the course of regularly evaluating individual customer receivables. This evaluation takes into consideration a customer's financial condition and credit history, as well as current economic conditions. Trade receivables are written off when deemed uncollectible. Recoveries of trade receivables previously written off are recorded when received. No interest is charged on customer accounts.

Estimated losses for bad debts are provided for in the financial statements through a charge to expense that aggregated $0.4 million, (0.2) million and $1.0 million for the years ended December 31, 2014, 2013 and 2012, respectively. The net charge off of bad debts aggregated $0.9 million, $1.1 million and $0.7 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Dependence on Business Partners

The Company is dependent on the continued financial and business strength of its business partners, such as the companies from whom it obtains programming. The Company could be at risk should any of these entities fail to perform their respective obligations to the Company. This in turn could materially adversely affect the Company's own business, results of operations and financial condition.

Disclosures About Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instruments for which it is practicable to estimate that value:

The carrying amount of cash and cash equivalents approximates fair value because of the short maturity of those instruments.

As of December 31, 2014 and 2013, the fair value of the Company's long-term debt was approximately $340.3 million and $364.1 million, respectively, based on an income approach which projects expected future cash flows and discounts them using a rate based on industry and market yields.

The carrying values of receivables, payables and accrued expenses approximate fair value due to the short maturity of these instruments.

Derivative Instruments

The Company uses derivatives in the management of interest rate risk with respect to interest expense on variable rate debt. The Company's current policy prohibits entering into derivative instruments for speculation or trading purposes. The Company is party to interest rate swap agreements with financial institutions that will fix the variable benchmark component (LIBOR) of the Company's interest rate on a portion of its term loan beginning December 31, 2015.

Accounting Standards Codification (ASC) 820, "Fair Value Measurements and Disclosures", requires the Company to recognize all of its 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. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is a component of other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations. See Notes 8 and 9 for further discussion of derivative instruments.

Off-balance Sheet Financings and Liabilities

Other than lease commitments, legal contingencies incurred in the normal course of business, employment contracts for key employees and the interest rate swap agreements (see Notes 8, 9, 11 and 15), the Company does not have any off-balance sheet financing arrangements or liabilities. The Company does not have any majority-owned subsidiaries or any interests in, or relationships with, any material variable-interest entities that are not included in the consolidated financial statements.

Income Taxes

Deferred income taxes are provided on a liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax bases. Deferred tax assets are reduced by a valuation allowance when it is determined to be more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

In evaluating the Company's ability to realize net deferred tax assets, the Company considers all reasonably available evidence including past operating results, tax strategies and forecasts of future taxable income. In considering these factors, the Company makes certain assumptions and judgments that are based on the plans and estimates used to manage the business.

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such positions are then measured based on the largest benefit that has a greater than 50% likelihood of being realized upon settlement. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense.

Advertising Costs

Amounts incurred for advertising costs with third parties are expensed as incurred. Advertising expense totaled approximately $0.5 million, $0.3 million and $0.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Legal Costs

Amounts incurred for legal costs that pertain to loss contingencies are expensed as incurred.

Repairs and Maintenance

All costs associated with repairs and maintenance are expensed as incurred.

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue for contracts with advertising agencies is recorded at an amount that is net of the commission retained by the agency. Revenue from contracts directly with the advertisers is recorded at gross revenue and the related commission or national representation fee is recorded in operating expense. Cash payments received prior to services rendered result in deferred revenue, which is then recognized as revenue when the advertising time or space is actually provided. Digital related revenue is recognized when display or other digital advertisements record impressions on the websites of our third-party publishers.

The Company also generates interactive revenue under arrangements that are sold on a standalone basis and those that are sold on a combined basis that are integrated with its broadcast revenue and reported within the television and radio segments. The Company has determined that these integrated revenue arrangements include multiple deliverables and has separated them into different units of accounting based on their relative sales price based upon management's best estimate. Revenue for each unit of accounting is recognized as it is earned.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted Univision the right to negotiate retransmission consent agreements for its Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014. Among other things, the proxy agreement provides terms relating to compensation to be paid to the Company by Univision with respect to retransmission consent agreements entered into with Multichannel Video Programming Distributors ("MVPDs"). The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is also our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into. Revenue for the carriage of the Company's Univision- and UniMás-affiliated television station signals is recognized over the life of each agreement with the cable, satellite and internet-based television service providers. Advertising related to carriage of the Company's Univision- and UniMás-affiliated television station signals is recognized at the time of broadcast. Retransmission consent revenue was $26.4 million, $22.2 million and $20.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Trade Transactions

The Company exchanges broadcast time for certain merchandise and services. Trade revenue is recognized when commercials air at the fair value of the goods or services received or the fair value of time aired, whichever is more readily determinable. Trade expense is recorded when the goods or services are used or received. Trade revenue was approximately $0.5 million, $0.5 million and $0.6 million for the years ended December 31, 2014, 2013 and 2012, respectively. Trade costs were approximately $0.5 million, $0.5 million and $0.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Stock-Based Compensation

The Company accounts for stock-based compensation according to the provisions of ASC 718, “Stock Compensation”, which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors including employee stock options, restricted stock awards, restricted stock units, and employee stock purchases under the 2001 Employee Stock Purchase Plan (the “Purchase Plan”) based on estimated fair values.

ASC 718 requires companies to estimate the fair value of stock options on the date of grant using an option pricing model. The fair value of restricted stock awards and restricted stock units is based on the closing market price of the Company’s common stock on the date of grant. The value of the portion of the award that is ultimately expected to vest has been reduced for estimated forfeitures and is recognized as expense over the requisite service periods in the consolidated statements of operations. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company has selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value for stock options. The Black-Scholes option pricing model requires the use of highly subjective and complex assumptions which determine the fair value of stock-based awards, including the option’s expected term, expected volatility of the underlying stock, risk-free rate, and expected dividends. The expected volatility is based on historical volatility of the Company’s common stock and other relevant factors. The expected term assumptions are based on the Company’s historical experience and on the terms and conditions of the stock-based awards. The risk free-rate is based on observed interest rates appropriate for the expected terms of the Company’s stock options. The dividend rate is based on the Company’s dividend policy.

The Company classifies cash flows from excess tax benefits from exercised options in excess of the deferred tax asset attributable to stock-based compensation costs as financing cash flows.

Earnings (Loss) Per Share

The following table illustrates the reconciliation of the basic and diluted per share computations (in thousands, except share and per share data):

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Basic earnings per share:			
Numerator:			
Net income (loss)	$27,122	$133,825	$13,601
Denominator:			
Weighted average common shares outstanding, basic	88,680,322	87,401,123	85,882,646
Per share:			
Net income (loss) per share	$0.31	$1.53	$0.16
Diluted earnings per share:			
Numerator:			
Net income (loss)	$27,122	$133,825	$13,601
Denominator:			
Weighted average common shares outstanding	88,680,322	87,401,123	85,882,646
Dilutive securities:			

Stock options	1,856,707	1,625,668	89,418
Restricted stock units	406,705	311,905	342,142
Diluted shares outstanding	90,943,734	89,338,696	86,314,206
Per share:			
Net income (loss) per share	$0.30	$1.50	$0.16

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

For the years ended December 31, 2014, 2013, and 2012, a total of 1,116,750, 5,670,908 and 8,573,761 shares of dilutive securities, respectively, were not included in the computation of diluted income per share because the exercise prices of the dilutive securities were greater than the average market price of the common shares.

Comprehensive Income

For the year ended December 31, 2014 the Company had other comprehensive loss, net of tax, of $2.4 million related to the fair value of swaps. For the years ended December 31, 2013 and 2012 the Company had other comprehensive income, net of tax, of $0.2, and $0, respectively, related to the fair value of swaps.

Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) which amended the existing accounting standards for revenue recognition. ASU 2014-09 establishes principles for recognizing revenue upon the transfer of promised goods or services to customers, in an amount that reflects the expected consideration received in exchange for those goods or services. It is effective for annual reporting periods beginning after December 15, 2016. Early adoption is not permitted. The amendments may be applied retrospectively to each prior period presented or retrospectively with the cumulative effect recognized as of the date of initial application. The Company is currently in the process of evaluating the impact of adoption of the ASU on its consolidated financial statements.

In August 2014, the Financial Accounting Standards Board issued ASU 2014-15, Presentation of Financial Statements - Going Concern (Subtopic 205-40); Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern. This update requires management to evaluate whether there is substantial doubt about the Company's ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Company does not expect this ASU to have a material impact on the Company's consolidated financial statements upon adoption.

3. ACQUISITIONS

Upon consummation of each acquisition the Company evaluates whether the acquisition constitutes a business. An acquisition is considered a business if it is comprised of a complete self-sustaining integrated set of activities and assets consisting of inputs and processes applied to those inputs that are used to generate revenues. For a transferred set of activities and assets to be a business, it must contain all of the inputs and processes necessary for it to continue to conduct normal operations after the transferred set is separated from the transferor, which includes the ability to sustain a revenue stream by providing its outputs to customers. A transferred set of activities and assets fails the definition of a business if it excludes one or more significant items such that it is not possible for the set to continue normal operations and sustain a revenue stream by providing its products and/or services to customers.

All business acquisitions have been accounted for as purchase business combinations with the operations of the businesses included subsequent to their acquisition dates. The allocation of the respective purchase prices is generally based upon independent appraisals and or management's estimates of the discounted future cash flows to be generated from the media properties for intangible assets, and replacement cost for tangible assets. Deferred income taxes are provided for temporary differences based upon management's best estimate of the tax basis of acquired assets and liabilities that will ultimately be accepted by the applicable taxing authority.

Pulpo Acquisition

On June 18, 2014, the Company completed the acquisition of 100% of the common stock of Pulpo, a leading provider of digital advertising services and solutions focused on Hispanics in the U.S. and Latin America. The Company acquired Pulpo in order to acquire an additional digital media platform that the Company believes will enhance its offerings to the U.S. Hispanic marketplace. The transaction was funded from the Company’s cash on hand, for an aggregate cash consideration of $15.0 million, net of cash acquired of $0.7 million, and contingent consideration with a fair value of $1.4 million as of the acquisition date.

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

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

The acquisition of Pulpo includes a contingent consideration arrangement that requires additional consideration to be paid by the Company to Pulpo based upon the achievement of certain annual performance benchmarks over a three-year period. Any such additional consideration is payable 90 days after each fiscal year end beginning December 31, 2014. The range of the total undiscounted amounts the Company could pay under the contingent consideration agreement over the three-year period is between $0 and $3.0 million. The fair value of the contingent consideration recognized on the acquisition date of $1.4 million was estimated by applying the real options approach. Performance targets were achieved for the year ended December 31, 2014, and, accordingly, a payment of $1.0 million will be made to the sellers in 2015. As of December 31, 2014, the Company determined Pulpo is less likely to earn the full amount of the contingent consideration for the years 2015 and 2016 to. Therefore, the Company adjusted the fair value of the contingent consideration in the fourth quarter of 2014 to $1.3 million. The net impact of the contingent consideration adjustment was a reduction of $0.1 million and is included in corporate expense in the accompanying consolidated statements of operations.

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

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

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

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The carrying amount of goodwill for each of the Company’s operating segments for the years ended December 31, 2014 and 2013 is as follows (in thousands):

	December 31, 2013	Acquisition	Impairment	December 31, 2014
Television	$ 35,912	$ —	$—	$ 35,912
Radio	735	—	(735)	—
Digital	—	14,169	—	14,169
Consolidated	$ 36,647	$ 14,169	$(735)	$ 50,081

The composition of the Company’s acquired intangible assets and the associated accumulated amortization as of December 31, 2014 and 2013 is as follows (in thousands):

		2014			2013		
	Weighted average remaining life in years	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount

Intangible assets subject to amortization:							
Television network affiliation agreements	7	$65,089	$ 48,851	$16,238	$65,089	$ 46,530	$18,559
Customer base	3	3,146	935	2,211	746	473	273
Other	11	26,655	24,911	1,744	25,655	24,675	980
Total intangible assets subject to amortization		$94,890	$ 74,697	20,193	$91,490	$ 71,678	19,812
Intangible assets not subject to amortization:							
FCC licenses				220,701			220,701
Total intangible assets				$240,894			$240,513

The aggregate amount of amortization expense for the years ended December 31, 2014, 2013 and 2012 was approximately $3.0 million, $2.5 million and $2.7 million, respectively. Estimated amortization expense for each of the years ended December 31, 2015 through 2019 is as follows (in thousands):

Estimated Amortization Expense	Amount
2015	$ 3,500
2016	3,500
2017	3,100
2018	2,500
2019	2,400

Impairment

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

Goodwill and indefinite life intangibles are not amortized but are tested annually for impairment, or more frequently, if events or changes in circumstances indicate that the assets might be impaired. The annual testing date is October 1.

2014

The Company conducted a review of the fair value of the radio reporting unit in 2014. The fair value of each reporting unit was primarily determined by using a combination of a market approach and an income approach. The income approach estimates fair value based on the estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk of that reporting unit. The income approach also requires the Company to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. The Company estimated the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to the Company. The Company also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. The Company estimated the revenue projections and profit margin projections based on internal forecasts about future performance. The market-based approach used comparable company earnings multiples. Based on the assumptions and projections, the radio reporting unit carrying value exceeded its fair value 2014. As a result, the Company recognized an impairment loss of $0.7 million relating to the radio reporting unit goodwill for the year ended December 31, 2014 so we do not have any goodwill in our radio reporting unit at December 31, 2014.

The Company also conducted a review of the television reporting unit. The Company performed a qualitative assessment and determined that it is more likely than not that its fair value is greater than its carrying amount. As such, the two-step impairment test was unnecessary and no impairment of goodwill of the television reporting unit was recorded.

The Company also conducted a review of the fair value of the television and radio FCC licenses in 2014. The estimated fair value of indefinite life intangible assets is determined by an income approach. The income approach estimates fair value based on the estimated future cash flows of each market cluster that a hypothetical buyer would expect to generate, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the level of inherent risk. The income approach requires the Company to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. The Company estimates the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to the Company. The Company also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. The Company estimated the revenue projections and profit margin projections based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Alternatively, some stations under evaluation have had limited relevant cash flow history due to planned or actual conversion of format or upgrade of station signal. The assumptions the Company makes about cash flows after conversion are based on the performance of similar stations in similar markets and potential proceeds from the sale of the assets. Based on the assumptions and estimates, the Company did not record impairment of FCC licenses for the year ended December 31, 2014.

2013

The Company conducted a review of the fair value of the television and radio reporting units in 2013. The fair value of each reporting unit was primarily determined by using a combination of a market approach and an income approach. The income approach estimates fair value based on the estimated future cash flows of each reporting unit, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the overall level of inherent risk of that reporting unit. The income approach also requires the Company to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. The Company estimated the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to the Company. The Company also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. The Company estimated the revenue projections and profit margin projections based on internal forecasts about future performance. The market-based approach used comparable company earnings multiples. Based on the assumptions and projections, the television reporting unit fair value was greater than its carrying value. As a result, the television reporting unit passed the first step of the goodwill impairment test and no impairment of goodwill relating to the television reporting unit was recorded for the year ended December 31, 2013. Based on the assumptions and projections, the television and radio reporting unit fair values were both greater than their respective carrying values in 2013. As a result, the Company passed the first step of the goodwill impairment test for both reporting units and no impairment of goodwill was recorded for the year ended December 31, 2013.

The Company also conducted a review of the fair value of the television and radio FCC licenses in 2013. The estimated fair value of indefinite life intangible assets is determined by an income approach. The income approach estimates fair value based on the estimated future cash flows of each market cluster that a hypothetical buyer would expect to generate, discounted by an estimated weighted-average cost of capital that reflects current market conditions, which reflect the level of inherent risk. The income approach requires the Company to make a series of assumptions, such as discount rates, revenue projections, profit margin projections and terminal value multiples. The Company estimates the discount rates on a blended rate of return considering both debt and equity for comparable publicly-traded companies in the television and radio industries. These comparable publicly-traded companies have similar size, operating characteristics and/or financial profiles to the Company. The Company also estimated the terminal value multiple based on comparable publicly-traded companies in the television and radio industries. The Company estimated the revenue projections and profit margin projections based on various market clusters signal coverage of the markets and industry information for an average station within a given market. The information for each market cluster includes such things as estimated market share, estimated capital start-up costs, population, household income, retail sales and other expenditures that would influence advertising expenditures. Alternatively, some stations under evaluation have had limited relevant cash flow history due to planned or actual conversion of format or upgrade of station signal. The assumptions the Company makes about cash flows after conversion are based on the performance of similar stations in similar markets and potential proceeds from the sale of the assets. Based on the assumptions and estimates, the Company did not record impairment of FCC licenses for the year ended December 31, 2013.

5. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 2014 and 2013 consists of (in millions):

	Estimated useful life (years)	2014	2013
Buildings	39	$18.6	$18.6
Construction in progress	—	2.6	2.8
Transmission, studio and other broadcast equipment	5-15	162.5	159.9
Office and computer equipment	3-7	28.7	24.2
Transportation equipment	5	6.4	6.5
Leasehold improvements and land improvements	Lesser of lease life or useful life	23.3	22.7
		242.1	234.7
Less accumulated depreciation		193.5	184.1
		48.6	50.6
Land		8.2	8.2
		$56.8	$58.8

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses as of December 31, 2014 and 2013 consist of (in millions):

	2014	2013
Accounts payable	$6.0	$4.9
Accrued payroll and compensated absences	6.7	8.5
Accrued bonuses	1.0	1.0
Professional fees	0.4	0.5
Accrued interest	-	2.2
Deferred revenue	4.6	2.6
Accrued national representation fees	1.2	1.3
Income taxes payable	0.3	-
Amounts due under joint sales agreements	2.9	2.9
Accrued property taxes	1.0	1.0
Accrued capital expenditures	1.0	0.6
Accrued media costs – digital	1.3	-
Other	5.8	5.8
	$32.2	$31.3

Included in deferred revenue as of December 31, 2014 is $1.5 million of other revenue related to a contract that will be earned in 2015.

7. LONG-TERM DEBT

Long-term debt as of December 31, 2014 and 2013 is summarized as follows (in millions):

	2014	2013
Term Loan	$ 340.3	$364.1
Less current maturities	3.8	3.8
	$ 336.5	$360.3

The scheduled maturities of long-term debt as of December 31, 2014 are as follows (in millions):

Year	Amount
2015	$ 3.8
2016	3.8
2017	3.8
2018	3.8
2019	3.8
Thereafter	321.3
	$ 340.3

Notes

The following discussion pertains to the Company’s 8.75% senior secured first lien notes due 2017, (the “Notes”), and the indenture governing the Notes, (the “Indenture”), as the same existed during the year ended December 31, 2013. On August 2, 2013, the Company redeemed the then outstanding Notes and the Indenture was terminated. Accordingly, only certain provisions of the Notes and the Indenture are summarized below. This discussion is qualified in its entirety by reference to the full text of the Notes and the Indenture.

On July 27, 2010, the Company completed the offering and sale of $400 million aggregate principal amount of its 8.75% Senior Secured First Lien Notes (the “Notes”). The Notes were issued at a discount of 98.722% of their principal amount with a maturity date of August 1, 2017. Interest on the Notes accrued at a rate of 8.75% per annum from the date of original issuance and was payable semi-annually in arrears on February 1 and August 1 of each year, commencing on February 1, 2011. The Company received net proceeds of approximately $388 million from the sale of the Notes (net of bond discount of $5 million and fees of $7 million), which were used to pay all indebtedness outstanding under the previous syndicated bank credit facility, terminate the related interest rate swap agreements, pay fees and expenses related to the offering of the Notes and for general corporate purposes.

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

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

During the fourth quarter of 2012, the Company repurchased Notes with a principal amount of $40.0 million pursuant to the optional redemption provisions in the Indenture. The redemption price for the redeemed Notes was 103% of the principal amount plus all accrued and unpaid interest. The Company recorded a loss on debt extinguishment of $2.5 million related to the premium paid and the write off of unamortized finance costs and unamortized bond discount.

The Notes were guaranteed on a senior secured basis by all of the existing and future wholly-owned domestic subsidiaries (the “Note Guarantors”). The Notes and the guarantees ranked equal in right of payment to all of the Company’s and the Note Guarantors’ existing and future senior indebtedness and senior in right of payment to all of the Company’s and the Note Guarantors’ existing and future subordinated indebtedness. In addition, the Notes and the guarantees were effectively junior: (i) to the Company’s and the Note Guarantors’ indebtedness secured by assets that are not collateral; (ii) pursuant to a Collateral Trust and Intercreditor Agreement dated July 27, 2010 the Company entered into with Wells Fargo Bank, National Association, as the Trustee under the Indenture, and GE Capital, as the Collateral Trustee and as the administrative agent under the 2013 Credit Facility (the “Intercreditor Agreement”) at the same time that the Company entered into a previous credit facility that the Company entered into in July 2010; and (iii) to all of the liabilities of any of the Company’s existing and future subsidiaries that do not guarantee the Notes, to the extent of the assets of those subsidiaries. The Notes were secured by substantially all of the assets, as well as the pledge of the stock of substantially all of the subsidiaries, including the special purpose subsidiary formed to hold the Company’s FCC licenses.

The Company had the right to redeem:

- prior to August 1, 2013, on one or more occasions, up to 10% of the original principal amount of the Notes during each 12-month period beginning on August 1, 2010, at a redemption price equal to 103% of the principal amount of the Notes, plus accrued and unpaid interest;
- prior to August 1, 2013, on one or more occasions, up to 35% of the original principal amount of the Notes with the net proceeds from certain equity offerings, at a redemption price of 108.750% of the principal amount of the Notes, plus accrued and unpaid interest; provided that: (i) at least 65% of the aggregate principal amount of all Notes issued under the Indenture remains outstanding immediately after such redemption; and (ii) such redemption occurs within 60 days of the date of closing of any such equity offering;
- prior to August 1, 2013, some or all of the Notes, at a redemption price equal to 100% of the principal amount of the Notes plus a “make-whole” premium plus accrued and unpaid interest; and
- on or after August 1, 2013, some or all of the Notes, at a redemption price of: (i) 106.563% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2013; (ii) 104.375% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2014; (iii) 102.188% of the principal amount of the Notes if redeemed during the twelve-month period beginning on August 1, 2015; and (iv) 100% of the principal amount of the Notes if redeemed on or after August 1, 2016, in each case plus accrued and unpaid interest.

In addition, upon a change of control of the Company, as defined in the Indenture, the Company would have been required to make an offer to repurchase all Notes then outstanding, at a purchase price equal to 101% of the aggregate principal amount of the Notes repurchased, plus accrued and unpaid interest. In addition, the Company had the right at any time and from time to time purchase Notes in the open market or otherwise.

Upon an event of default, as defined in the Indenture, the Notes would have become due and payable: (i) immediately without further notice if such event of default arises from events of bankruptcy or insolvency of the Company, any Note Guarantor or any restricted subsidiary; or (ii) upon a declaration of acceleration of the Notes in writing to the Company by the Trustee or holders representing 25% of the aggregate principal amount of the Notes then outstanding, if an event of default occurs and is continuing. The Indenture contained additional provisions that are customary for an agreement of this type, including indemnification by the Company and the Note Guarantors. In addition, the Indenture contained various provisions that limited the Company's ability to: (i) apply the proceeds from certain asset sales other than in accordance with the terms of the Indenture; and (ii) restrict dividends or other payments from subsidiaries.

For the year ended December 31, 2013, the Company recognized an increase of $0.3 million in interest expense, related to amortization of the bond discount.

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

2012 Credit Facility

The following discussion pertains to a term loan and revolving credit facility of up to $50 million that the Company entered into on December 20, 2012 (the "2012 Credit Facility"), pursuant to an amended and restated agreement dated as of December 20, 2012 (the "2012 Credit Agreement"). The 2012 Credit Facility was terminated on May 31, 2013 when the Company entered into its current term loan and revolving credit facility of up to $405.0 million (the "2013 Credit Facility"). Accordingly, the following discussion summarizes only certain provisions of the 2012 Credit Facility and the 2012 Credit Agreement. This discussion is qualified in its entirety by reference to the full text of the 2012 Credit Agreement.

On December 20, 2012, the Company entered into the 2012 Agreement pursuant to the 2012 Credit Facility. The 2012 Credit Facility had an expiration date of December 20, 2016 and consisted of a four-year $20 million term loan facility and a four-year $30 million revolving credit facility, which included a $3 million sub-facility for letters of credit.

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

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

The 2012 Credit Agreement also contained additional provisions that are customary for an agreement of this type, including indemnification by the Company and the Credit Guarantors.

In connection with the Company entering into the Indenture and the 2012 Credit Agreement, the Company and the Guarantors also entered into the following agreements:

- a Security Agreement, pursuant to which the Company and the Guarantors each granted a first priority security interest in the collateral securing the Notes and the 2012 Credit Facility for the benefit of the holders of the Notes and the lender under the 2012 Credit Facility; and
- an Intercreditor Agreement, in order to define the relative rights of the holders of the Notes and the lender under the 2012 Credit Facility with respect to the collateral securing the Company's and the Guarantors' respective obligations under the Notes and the 2012 Credit Facility; and
- a Registration Rights Agreement, pursuant to which the Company registered the Notes and successfully conducted an exchange offering for the Notes in unregistered form, as originally issued.

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

2013 Credit Facility

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

Borrowings under the Term Loan A Facility were used on the closing date of the 2013 Credit Facility (the "Closing Date") (together with cash on hand) to (a) repay in full all of the outstanding obligations of the Company and its subsidiaries under the 2012 Credit Agreement and to terminate the 2012 Credit Agreement, and (b) pay fees and expenses in connection with the 2013 Credit Facility. As discussed in more detail below, on August 1, 2013, the Company drew on the Company's Term Loan B Facility to (a) repay in full all of the outstanding loans under the Term Loan A Facility and (b) redeem in full all of the then outstanding Notes. The Company intends to use any future borrowings under the Revolving Credit Facility to provide for working capital, capital expenditures and other general corporate purposes of the Company and from time to time fund a portion of certain acquisitions, in each case subject to the terms and conditions set forth in the 2013 Credit Agreement.

The 2013 Credit Facility is guaranteed on a senior secured basis by all of the Company's existing and future wholly-owned domestic subsidiaries (the "Credit Parties"). The 2013 Credit Facility is secured on a first priority basis by the Company's and the Credit Parties' assets. Upon the redemption of the then outstanding Notes, the security interests and guaranties of the Company and its Credit Parties under the Indenture and the Notes were terminated and released.

The Company's borrowings under the 2013 Credit Facility bear interest on the outstanding principal amount thereof from the date when made at a rate per annum equal to either: (i) the Base Rate (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement); or (ii) LIBOR (as defined in the 2013 Credit Agreement) plus the Applicable Margin (as defined in the 2013 Credit Agreement). As of December 31, 2013, the Company's effective interest rate was 3.5%. The Term Loan A Facility expired on the Term Loan B Borrowing Date, which was August 1, 2013. The Term Loan B Facility expires on May 31, 2020 (the "Term Loan B Maturity Date") and the Revolving Credit Facility expires on May 31, 2018 (the "Revolving Loan Maturity Date").

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

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

(b) with respect to the Revolving Loans:

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

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

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

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

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

- incur additional indebtedness or change or amend the terms of any senior indebtedness, subject to certain conditions;
- incur liens on the property or assets of the Company and the Credit Parties;
- dispose of certain assets;
- consummate any merger, consolidation or sale of substantially all assets;
- make certain investments;
- enter into transactions with affiliates;
- use loan proceeds to purchase or carry margin stock or for any other prohibited purpose;

- incur certain contingent obligations;
- make certain restricted payments; and
- enter new lines of business, change accounting methods or amend the organizational documents of the Company or any Credit Party in any materially adverse way to the agent or the lenders.

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

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

- default for three (3) business days in the payment of interest on borrowings under the 2013 Credit Facility when due;
- default in payment when due of the principal amount of borrowings under the 2013 Credit Facility;
- failure by the Company or any Credit Party to comply with the negative covenants, financial covenants (provided, that, an event of default under the Term Loan Facilities will not have occurred due to a violation of the financial covenants until the revolving lenders have terminated their commitments and declared all obligations to be due and payable), and certain other covenants relating to maintenance of customary property insurance coverage, maintenance of books and accounting records and permitted uses of proceeds from borrowings under the 2013 Credit Facility, each as set forth in the 2013 Credit Agreement;
- failure by the Company or any Credit Party to comply with any of the other agreements in the 2013 Credit Agreement and related loan documents that continues for thirty (30) days (or ten (10) days in the case of certain financial statement delivery obligations) after officers of the Company first become aware of such failure or first receive written notice of such failure from any lender;
- default in the payment of other indebtedness if the amount of such indebtedness aggregates to $15.0 million or more, or failure to comply with the terms of any agreements related to such indebtedness if the holder or holders of such indebtedness can cause such indebtedness to be declared due and payable;
- failure of the Company or any Credit Party to pay, vacate or stay final judgments aggregating over $15.0 million for a period of thirty (30) days after the entry thereof;
- certain events of bankruptcy or insolvency with respect to the Company or any Credit Party;
- certain change of control events;
- the revocation or invalidation of any agreement or instrument governing the Notes or any subordinated indebtedness, including the Intercreditor Agreement; and
- any termination, suspension, revocation, forfeiture, expiration (without timely application for renewal) or material adverse amendment of any material media license.

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

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

The Redemption constituted a complete redemption of the then outstanding Notes, such that no amount remained outstanding following the Redemption. Accordingly, the Indenture has been satisfied and discharged in accordance with its terms and the Notes have been cancelled, effective as of the Redemption Date. The Company recorded a loss on debt extinguishment of $29.7 million, primarily due to the premium associated with the redemption of the Notes, the unamortized bond discount and finance costs.

On December 30, 2014, the Company made a prepayment of $20 million to reduce the amount of loans outstanding under the Term Loan B facility.

On December 31, 2013, the Company made a prepayment of $10 million to reduce the amount of loans outstanding under the Term Loan B facility.

The carrying amount and estimated fair value of the Term Loan B as of December 31, 2014 were both $340.3 million. The estimated fair value is calculated using an income approach which projects expected future cash flows and discounts them using a rate based on industry and market yields.

8. DERIVATIVE INSTRUMENTS

The Company uses derivatives in the management of its interest rate risk with respect to its variable rate debt. The Company‘s strategy is to eliminate the cash flow risk on a portion of its variable rate debt caused by changes in the benchmark interest rate (LIBOR). Derivative instruments are not entered into for speculative purposes.

As required by the terms of the Company’s 2013 Credit Agreement, on December 16, 2013, the Company entered into three forward-starting interest rate swap agreements with an aggregated notional amount of $186.0 million at a fixed rate of 2.73%, resulting in an all-in fixed rate of 5.23%. The interest rate swap agreements take effect on December 31, 2015 with a maturity date in December 31, 2018. Under these interest rate swap agreements, the Company pays at a fixed rate and receives payments at a variable rate based on three-month LIBOR. The interest rate swap agreements effectively fix the floating LIBOR-based interest of $186.0 million outstanding LIBOR-based debt. The interest rate swap agreements were designated and qualified as a cash flow hedge; therefore, the effective portion of the changes in fair value is recorded in accumulated other comprehensive income. Any ineffective portions of the changes in fair value of the interest rate swap agreements will be immediately recognized directly to interest expense in the consolidated statement of operations. The change in fair value of the interest rate swap agreements for the years ended December 31, 2014 and 2013 was a loss of $2.4 million and a gain of $0.2 million, net of tax, respectively, and was included in other comprehensive income (loss). As of December 31, 2014, the Company estimates that none of the unrealized gains or losses included in accumulated other comprehensive income or loss related to these interest rate swap agreements will be realized and reported in earnings within the next twelve months.

The carrying amount of the interest rate swap agreements is recorded at fair value, including non-performance risk, when material. The fair value of each interest rate swap agreement is determined by using multiple broker quotes, adjusted for non-performance risk, when material, which estimate the future discounted cash flows of any future payments that may be made under such agreements.

The fair value of the interest rate swap liability as of December 31, 2014 was $3.4 million and was recorded in “Other long-term liabilities” in the consolidated balance sheets. See Note 9 for discussion of the fair value measurements concerning this interest rate swap.

9. FAIR VALUE MEASUREMENTS

ASC 820, “Fair Value Measurements and Disclosures”, defines and establishes a framework for measuring fair value and expands disclosures about fair value measurements. In accordance with ASC 820, 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 – 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 – 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 – 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 Company's financial assets and liabilities measured at fair value on a recurring basis in the consolidated balance sheets (in millions):

	December 31, 2014 Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Liabilities:				
Interest rate swap	$3.4	$ —	$ 3.4	$ —
Contingent Consideration	$1.3	$ —	$ —	$ 1.3

	December 31, 2013 Total Fair Value and Carrying Value on Balance Sheet	Fair Value Measurement Category		
		Level 1	Level 2	Level 3
Assets:				
Interest rate swap	$0.4	$ —	$ 0.4	$ —

10. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for the years ended December 31, 2014, 2013 and 2012 (in millions):

	2014	2013	2012
Current			
Federal	$—	$—	$—
State	0.6	0.6	0.6
Foreign	0.1	0.2	0.3
	0.7	0.8	0.9
Deferred			

Federal	15.0	(121.6)	4.8
State	2.7	(13.3)	0.4
	17.7	(134.9)	5.2
Total provision for taxes	$18.4	$(134.1)	$6.1

The income tax provision (benefit) differs from the amount of income tax determined by applying the Company's federal corporate income tax rate of 34% to pre-tax income for the years ended December 31, 2014, 2013 and 2012 due to the following (in millions):

	2014	2013	2012
Computed "expected" tax provision (benefit)	$15.5	$(0.1)	$6.7
Change in income tax resulting from:			
State taxes, net of federal benefit	2.1	(8.4)	1.2
Foreign taxes	0.1	0.2	0.3
Change in valuation allowance	—	(126.0)	(2.2)
Other	0.7	0.2	0.1
	$18.4	$(134.1)	$6.1

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The components of the deferred tax assets and liabilities at December 31, 2014 and 2013 consist of the following (in millions):

	2014	2013
Deferred tax assets:		
Accrued expenses	$4.4	$3.5
Accounts receivable	1.2	2.4
Net operating loss carryforward	124.0	125.5
Stock-based compensation	3.6	5.2
Intangible assets	8.0	16.9
Credits	1.0	1.0
Other	1.1	0.9
	143.3	155.4
Valuation allowance	(1.4)	(1.4)
Net deferred tax assets	$141.9	$154.0
Deferred tax liabilities:		
Non-long lived intangible assets	$(4.8)	$(4.9)
Long-lived Intangible assets	(62.2)	(55.4)
Property and equipment	(0.7)	(1.2)
Deferred state taxes	(1.7)	(2.5)
	(69.4)	(64.0)
	$72.5	$90.0

As of December 31, 2014, the Company has federal and state net operating loss carryforwards of approximately $331 million and $246 million, respectively, available to offset future taxable income. The federal net operating loss carryforwards will expire during the years 2020 through 2033. The state net operating loss carryforwards will expire during the years 2014 through 2033. Of the $246 million of state net operating loss carryforwards, $2.2 million will expire in 2015.

Not included in the deferred tax assets attributable to net operating losses as of December 31, 2014 and December 31, 2013 are approximately $1.4 million and $3.0 million, respectively, of gross deferred tax assets attributable to stock option exercises and vesting of restricted stock units because the benefit of such losses have not reduced income tax payable.

Utilization of the Company’s U.S. federal and certain state net operating loss and tax credit carryovers may be subject to substantial annual limitation due to the ownership change limitations provided by the Internal Revenue Code and similar state provisions. Such an annual limitation could result in the expiration of the net operating loss carryforwards before utilization. As of December 31, 2014, the Company believes that utilization of its federal net operating losses and foreign tax credits are not limited under any ownership change limitations provided under the Internal Revenue Code.

Prior to December 31, 2013, the Company maintained a valuation allowance for the entire deferred tax assets as a result of uncertainties regarding their realization due to historical losses, the variability of operating results, and limited visibility into future projected results. This valuation allowance was maintained since the likelihood of the realization of those assets had not become more likely than not based on the Company’s assessment of available evidence. The Company periodically evaluates the realizability of the deferred tax assets and, if it is determined that it is more likely than not that the deferred tax assets are realizable, adjusts the valuation allowance accordingly. Valuation allowances are established and maintained for deferred tax assets on a “more likely than not” threshold. The process of evaluating the need to maintain a valuation allowance for deferred tax assets is highly subjective and requires significant judgment. The Company has considered the following possible sources of taxable income when assessing the realization of the deferred tax assets: (1) future reversals of existing taxable temporary differences; (2) taxable income in prior carryback years; (3) future taxable income exclusive of reversing temporary differences and carryforwards; and (4) tax planning strategies. Based on the Company's analysis and a review of all positive and negative evidence such as historical operations, future projections of taxable income and tax planning strategies that are prudent and feasible, the Company determined that it was more likely than not that the deferred tax assets would be realized except for certain expiring state net operating loss carryforwards. Accordingly, the Company reversed a valuation allowance of approximately $144 million and recorded the reduction as a tax benefit for the period. For each of the years ended December 31, 2014, and 2013, the Company had a valuation allowance of $1.4 million.

The Company addresses uncertainty in tax positions according to the provisions of ASC 740, "Income Taxes", which clarifies the accounting for income taxes by establishing the minimum recognition threshold and a measurement attribute for tax positions taken or expected to be taken in a tax return in order to be recognized in the financial statements.

The following table summarizes the activity related to the Company's unrecognized tax benefits (in millions):

	Amount
Balance at December 31, 2012	$ 6.4
Change in balances related to tax positions	—
Balance at December 31, 2013	$ 6.4
Change in balances related to tax positions	—
Balance at December 31, 2014	$ 6.4

As of December 31, 2014, the Company had $6.4 million of gross unrecognized tax benefits for uncertain tax positions, of which $0.9 million would affect the effective tax rate if recognized.

The Company does not anticipate that the amount of unrecognized tax benefits as of December 31, 2014 will significantly increase or decrease within the next 12 months.

The Company recognizes interest and penalties related to income tax matters as a component of income tax expense. As of December 31, 2014, the Company had no significant accrued interest and penalties related to uncertain tax positions due to the net operating losses.

The Company is subject to taxation in the United States, various states and Mexico. The tax years 2011 to 2014 and 2010 to 2014 remain open to examination by federal and state taxing jurisdictions, respectively, and the tax years 2003 to 2013 remain open to examination by foreign jurisdiction. Net operating losses from years from which the statute of limitations have expired (2010 and prior for federal and 2009 and prior for state) could be adjusted in the event that the taxing jurisdictions challenge the amounts of net operating loss carryforwards from such years.

11. COMMITMENTS AND CONTINGENCIES

The Company has non-cancelable agreements with certain media research and ratings providers, expiring at various dates through December 2016, to provide television and radio audience measurement services. Pursuant to these agreements, the Company is obligated to pay these providers a total of approximately $18.1 million. The annual commitments range from $5.8 million to $12.3 million.

The Company leases facilities and broadcast equipment under various non-cancelable operating lease agreements with various terms and conditions, expiring at various dates through September 2059.

The Company's corporate headquarters are located in Santa Monica, California. The Company leases approximately 16,000 square feet of space in the building housing its corporate headquarters under a lease expiring in 2021. The Company also leases approximately 45,000 square feet of space in the building housing its radio network in Los Angeles, California, under a lease expiring in 2026.

The types of properties required to support each of the Company's television and radio stations typically include offices, broadcasting studios and antenna towers where broadcasting transmitters and antenna equipment are located. The majority of the Company's office, studio and tower facilities are leased pursuant to non-cancelable long-term leases. The Company also owns the buildings and/or land used for office, studio and tower facilities at certain of its television and/or radio properties. The Company owns substantially all of the equipment used in its television and radio broadcasting business.

The approximate future minimum lease payments under these non-cancelable operating leases at December 31, 2014 are as follows (in millions):

	Amount
2015	$ 8.8
2016	7.5
2017	6.6
2018	5.7
2019	5.3
Thereafter	35.0
	$ 68.9

Total rent expense under operating leases, including rent under month-to-month arrangements, was approximately $9.9 million, $9.8 million and $10.2 million for the years ended December 31, 2014, 2013 and 2012, respectively.

Employment Agreements

The Company has entered into an employment agreement (the "Employment Agreement") through December 2016 with an executive officer who is also a stockholder and director. The Employment Agreement provides that a minimum annual base salary and a bonus be paid. The company paid a total of $0.2 million, $0.2 million, and $0.5 million of bonuses to this executive for the years ended December 31, 2014, 2013 and 2012, respectively. Additionally, the Employment Agreement provides for a continuation of the executive's annual base salary and annual bonus through the end of the employment period if the executive is terminated due to a permanent disability or without cause, as defined in the Employment Agreement.

12. STOCKHOLDERS' EQUITY

The Second Amended and Restated Certificate of Incorporation of the Company authorizes both common and preferred stock.

Common Stock

The Company's common stock has three classes, identified as Class A common stock, Class B common stock and Class U common stock. The Class A common stock and Class B common stock have similar rights and privileges, except that the Class B common stock is entitled to ten votes per share as compared to one vote per share for the Class A common stock. Each share of Class B common stock is convertible at the holder's option into one fully paid and nonassessable share of Class A common stock and is required to be converted into one share of Class A common stock upon the occurrence of certain events as defined in the Second Amended and Restated Certificate of Incorporation.

The Class U common stock, which is held by Univision, has limited voting rights and does not include the right to elect directors. Each share of Class U common stock is automatically convertible into one share of the Company's Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

During the year ended December 31, 2014, the Company paid cash dividends totaling $0.10 per share, or $8.9 million, on all shares of Class A, Class B, and Class U common stock. During the year ended December 31, 2013, the Company paid a cash dividend of $0.125 per share, or $11.0 million, on all shares of Class A, Class B, and Class U common stock.

Treasury Stock

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

Treasury stock is included as a deduction from equity in the Stockholders' Equity section of the Consolidated Balance Sheets. Shares repurchased pursuant to the Company's share repurchase program are retired during the same calendar year.

As of December 31, 2014, the Company repurchased approximately 2.5 million shares of Class A common stock at an average price of $5.08, for an aggregate purchase price of approximately $12.5 million. All shares were retired as of December 31, 2014.

13. EQUITY INCENTIVE PLANS

In May 2004, the Company adopted its 2004 Equity Incentive Plan (“2004 Plan”), which replaced its 2000 Omnibus Equity Incentive Plan (“2000 Plan”). The 2000 Plan had allowed for the award of up to 11,500,000 shares of Class A common stock. The 2004 Plan allows for the award of up to 10,000,000 shares of Class A common stock, plus any grants remaining available at its adoption date under the 2000 Plan. Awards under the 2004 Plan may be in the form of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock or restricted stock units. The 2004 Plan is administered by a committee appointed by the Board. This committee determines the type, number, vesting requirements and other features and conditions of such awards. Generally, stock options granted from the 2000 Plan have a contractual term of ten years from the date of the grant and vest over four or five years and stock options granted from the 2004 Plan have a contractual term of ten years from the date of the grant and vest over four years.

The 2004 Plan was amended by the Compensation Committee effective July 13, 2006 to (i) eliminate automatic option grants for non-employee directors, making any grants to such directors discretionary by the Compensation Committee and (ii) eliminate the three-year minimum vesting period for performance-based restricted stock and restricted stock units, making the vesting period for such grants discretionary by the Compensation Committee.

The Company has issued stock options and restricted stock units to various employees and non-employee directors of the Company in addition to non-employee service providers under both the 2004 Plan and the 2000 Plan.

Stock Options

The fair value of each stock option is estimated on the date of grant using the Black-Scholes option pricing model that uses the assumptions noted in the following table. Stock-based compensation expense related to stock options is based on the fair value on the date of grant and is amortized over the vesting period, generally between 1 to 3 years. Expected volatilities are based on historical volatility of the Company’s stock. The Company uses historical data to estimate option exercise and employee termination within the valuation model. The expected term of stock options granted is based on historical contractual life and the vesting data of the stock options. The risk-free rate for periods within the contractual life of the stock option is based on the U.S. Treasury yield curve in effect at the time of grant.

The fair value of each stock option granted was estimated using the following weighted-average assumptions:

	Year Ended December 31, 2014	Year Ended December 31, 2013	Year Ended December 31, 2012
Fair value of options granted	$ 3.26	$ 1.69	$ 1.26
Expected volatility	117 %	91 %	89 %
Risk-free interest rate	2.0 %	1.3 %	1.5 %
Expected lives	6.1 years	7.0 years	7.0 years
Dividend rate	2.3%	—	—

The following is a summary of stock option activity: (in thousands, except exercise price data and contractual life data):

Options	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2011	7,205	$ 6.68		
Granted	2,592	$ 1.64		
Exercised	(50)	0.46		$ 45
Forfeited or cancelled	(1,540)	9.72		
Outstanding at December 31, 2012	8,207	$ 4.55		
Granted	2,815	$ 2.18		
Exercised	(1,683)	1.67		$ 4,965
Forfeited or cancelled	(1,622)	5.70		
Outstanding at December 31, 2013	7,717	$ 4.05		$ 22,023
Granted	350	$ 4.4		
Exercised	(1,042)	1.77		$ 5,036
Forfeited or cancelled	(1,470)	8.53		
Outstanding at December 31, 2014	5,555	$ 3.33	6.12	$ 19,015
Vested and Exercisable at December 31, 2014	2,594	$ 4.69	3.91	$ 6,157
Vested and Expected to Vest at December 31, 2014	3,546	$ 2.24	8.01	$ 15,046

Stock-based compensation expense related to the Company’s employee stock option plans was $2.3 million, $4.4 million and $1.6 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was approximately $1.9 million of total unrecognized compensation expense related to the Company’s employee stock option plans that is expected to be recognized over a weighted-average period of 1.7 years.

Restricted Stock and Restricted Stock Units

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

	Number of Shares	Weighted-Average Grant Date Fair Value
Nonvested balance at December 31, 2011	1,910	$ 2.81
Vested	(840)	3.37
Forfeited or cancelled	(55)	1.97
Nonvested balance at December 31, 2012	1,015	$ 2.43
Vested	(487)	2.16
Forfeited or cancelled	(34)	1.78
Nonvested balance at December 31, 2013	494	$ 2.73

Granted	1,181	4.51
Vested	(489)	3.38
Forfeited or cancelled	(17)	2.53
Nonvested balance at December 31, 2014	1,169	$ 4.15

Stock-based compensation expense related to grants of restricted stock and restricted stock units was $2.1 million, $0.4 million and $1.0 million for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was approximately $2.9 million of total unrecognized compensation expense related to grants of restricted stock and restricted stock units that is expected to be recognized over a weighted-average period of 1.9 years.

The fair value of shares vested related to grants of restricted stock and restricted stock units was $1.6 million, $0.8 million, and $1.3 million for the years ended December 31, 2014, 2013 and 2012, respectively.

14. RELATED-PARTY TRANSACTIONS

Univision provides network compensation to the Company and acts as the Company's exclusive third-party sales representative for the sale of all national advertising aired on Univision-affiliate television stations.

At December 31, 2014 Univision owns approximately 10% of the Company's common stock on a fully-converted basis.

The Class U common stock has limited voting rights and does not include the right to elect directors. As the holder of all of the Company's issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, the Company may not, without the consent of Univision, merge, consolidate or enter into another business combination, dissolve or liquidate the Company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of the Company's Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of the Company's Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

In August 2008, the Company entered into a proxy agreement with Univision pursuant to which the Company granted to Univision the right to negotiate the terms of retransmission consent agreements for its Univision- and UniMás-affiliated television station signals for a term of six years, expiring in December 2014, which Univision and the Company have extended through March 31, 2015. Among other things, the proxy agreement provides terms relating to compensation to be paid to the Company by Univision with respect to retransmission consent agreements entered into with MVPDs. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. It is our current intention to negotiate with Univision an extension of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

The following tables reflect the related-party balances with Univision and other related parties (in thousands):

	Univision		Other		Total	
	2014	2013	2014	2013	2014	2013
Trade receivables	$10,882	$7,102	$—	$—	$10,882	$7,102
Other current assets	—	—	274	274	274	274
Intangible assets subject to amortization, net	16,239	18,559	—	—	16,239	18,559
Advances payable	—	—	118	118	118	118
Accounts payable	$3,695	$3,994	$—	$—	$3,695	$3,994

	Univision		
	2014	2013	2012
Direct operating expenses (1)	$10,655	$10,322	$10,599
Amortization	2,320	2,321	2,633

(1) Consists primarily of national representation fees paid to Univision.

In addition, the Company also had accounts receivable from third parties in connection with a joint sales agreement between the Company and Univision. As of December 31, 2014, 2013 and 2012 these balances totaled $3.2 million, $2.8 million and $2.3 million, respectively.

In May 2007, the Company entered into an affiliation agreement with LATV Networks, LLC (“LATV”). Pursuant to the affiliation agreement, the Company will broadcast programming provided to the Company by LATV on one of the digital multicast channels of certain of the Company’s television stations. Under the affiliation agreement, there are no fees paid for the carriage of programming, and the Company generally retains the right to sell approximately five minutes per hour of available advertising time. Walter F. Ulloa, the Company’s Chairman and Chief Executive Officer, is a director, officer and principal stockholder of LATV.

15. ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

Accumulated other comprehensive income (loss) includes the cumulative gains and losses of derivative instruments that qualify as cash flow hedges. The following table provides a rollforward of accumulated other comprehensive income (loss) for the years ended December 31, 2014 and 2013 (in millions):

	2014	2013
Accumulated other comprehensive income (loss) as of January 1,	$0.2	$—
Other comprehensive income (loss)	(3.8)	0.4
Income tax benefit (expense)	1.4	(0.2)
Other comprehensive income (loss), net of tax	(2.4)	0.2
Accumulated other comprehensive income (loss) as of December 31,	$(2.2)	$0.2

16. LITIGATION

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

17. SEGMENT DATA

Segment operating profit (loss) is defined as operating profit (loss) before corporate expenses and impairment charge. There were no significant sources of revenue generated outside the United States during the years ended December 31, 2014, 2013 and 2012. There was approximately $9.0 million and $8.6 million of assets in Mexico at December 31, 2014 and 2013, respectively.

The accounting policies applied to determine the segment information are generally the same as those described in the summary of significant accounting policies (see Note 2). The Company evaluates the performance of its operating segments based on separate financial data for each operating segment as provided below (in thousands):

	Years Ended December 31,			% Change 2014 to 2013	% Change 2013 to 2012
	2014	2013	2012		
Net Revenue					
Television	$165,472	$156,994	$156,839	5 %	0 %
Radio	69,922	66,922	66,414	4 %	1 %
Digital	6,644	—	—	100 %	0 %
Consolidated	242,038	223,916	223,253	8 %	0 %
Cost of revenue - digital media	2,993	—	—	100 %	0 %
Direct operating expenses					
Television	63,569	63,623	56,664	(0)%	12 %
Radio	41,349	40,063	35,592	3 %	13 %
Digital	2,363	—	—	100 %	0 %
Consolidated	107,281	103,686	92,256	3 %	12 %
Selling, general and administrative expenses					
Television	17,278	15,797	20,571	9 %	(23)%
Radio	16,773	15,759	17,247	6 %	(9)%
Digital	1,348	—	—	100 %	0 %
Consolidated	35,399	31,556	37,818	12 %	(17)%
Depreciation and amortization					
Television	10,680	12,084	13,312	(12)%	(9)%
Radio	3,391	2,869	3,114	18 %	(8)%
Digital	592	—	—	100 %	0 %
Consolidated	14,663	14,953	16,426	(2)%	(9)%
Segment operating profit (loss)					
Television	73,945	65,490	66,292	13 %	(1)%
Radio	8,409	8,231	10,461	2 %	(21)%
Digital	(652)	—	—	100 %	0 %
Consolidated	81,702	73,721	76,753	11 %	(4)%
Corporate expenses	21,301	19,771	17,976	8 %	10 %
Impairment charge	735	-	-	100 %	0 %
Operating income (loss)	$59,666	$53,950	$58,777	11 %	(8)%
Capital expenditures					
Television	$6,084	$7,243	$8,339		
Radio	2,995	2,505	1,561		

Digital	32	—	—
Consolidated	$9,111	$9,748	$9,900
Total assets			
Television	$380,775	$412,487	$313,904
Radio	124,050	125,750	124,147
Digital	22,942	—	—
Consolidated	$527,767	$538,237	$438,051

18. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2014 and 2013 (in thousands, except per share data):

Year ended December 31, 2014:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net revenue	$52,656	$61,846	$62,274	$65,262	$242,038
Net income (loss) applicable to common stockholders	4,388	8,735	8,057	5,942	27,122
Net income (loss) per share, basic	$0.05	$0.10	$0.09	$0.07	$0.31
Net income (loss) per share, diluted	$0.05	$0.10	$0.09	$0.07	$0.30

Year ended December 31, 2013:	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Net revenue	$ 49,087	$ 56,950	$ 57,786	$ 60,093	$223,916
Net income (loss) applicable to common stockholders	(957)	5,073	(21,384)	151,093	133,825
Net income (loss) per share, basic	$ (0.01)	$ 0.06	$ (0.24)	$ 1.72	$1.53
Net income (loss) per share, diluted	$ (0.01)	$ 0.06	$ (0.24)	$ 1.67	$1.50

ENTRAVISION COMMUNICATIONS CORPORATION

SCHEDULE II – CONSOLIDATED VALUATION AND QUALIFYING ACCOUNTS

(In thousands)

Description	Balance at Beginning of Period	Charged / (Credited) to Expense	Other Adjustments (1)	Deductions	Balance at End of Period
Allowance for doubtful accounts					
Year ended December 31, 2014	$ 3,199	$450	$ 331	$ (880)	$3,100
Year ended December 31, 2013	$ 4,396	$(166)	$ 92	$ (1,123)	$3,199
Year ended December 31, 2012	$ 3,926	$1,042	$ 95	$ (667)	$4,396
Deferred tax valuation allowance					
Year ended December 31, 2014	$ 1,432	$(71)	$ —	$ —	$1,361
Year ended December 31, 2013	$ 145,470	$(144,038)	$ —	$ —	$1,432
Year ended December 31, 2012	$ 148,364	$(2,894)	$ —	$ —	$145,470

(1) Other adjustments represent recoveries and increases in the allowance for doubtful accounts.