ENTRAVISION COMMUNICATIONS CORP
Form 10-K
March 15, 2007
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT

PURSUANT TO SECTIONS 13 OR 15(d)

OF THE SECURITIES EXCHANGE ACT OF 1934

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Fiscal Year Ended December 31, 2006

OR

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

For the Transition Period from ______ to ______

Commission File Number 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**95-4783236**

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

2425 Olympic Boulevard, Suite 6000 West

Santa Monica, California 90404

(Address of principal executive offices, including zip code)

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

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

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

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

None

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

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

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

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

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

Large accelerated filer ¨	Accelerated filer x	Non-accelerated filer ¨

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2006 was approximately $518,969,325 (based upon the closing price for shares of the registrant s Class A common stock as reported by The New York Stock Exchange for the last trading date prior to that date).

As of March 9, 2007, there were 60,225,892 shares, $0.0001 par value per share, of the registrant s Class A common stock outstanding, 26,548,033 shares, $0.0001 par value per share, of the registrant s Class B common stock outstanding and 17,152,729 shares, $0.0001 par value per share, of the registrant s Class U common stock outstanding.

Portions of the registrant s Proxy Statement for the 2007 Annual Meeting of Stockholders scheduled to be held on May 31, 2007 are incorporated by a reference in Part III hereof.

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006

TABLE OF CONTENTS

PART I

Table of Contents

FORWARD-LOOKING STATEMENTS

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

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

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

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

For a detailed description of these and other factors that could cause actual results to differ materially from those expressed in any forward-looking statement, please see Risk Factors, beginning at page 27 below.

ITEM 1. BUSINESS

The discussion of our business is as of the date of filing this report, unless otherwise indicated.

Overview

Entravision Communications Corporation and its wholly owned subsidiaries, or Entravision, is a diversified Spanish-language media company utilizing a combination of television, radio and outdoor advertising operations to reach approximately 65% of Hispanic consumers across the United States, as well as the border markets of Mexico. We own and/or operate 51 primary television stations, a majority of which is located in the southwestern United States, including several key U.S./Mexican border markets. Entravision is the largest affiliate group of both the top-ranked Univision television network and Univision s TeleFutura network, with television stations in 20 of the nation s top 50 U.S. Hispanic markets. Univision is a key source of programming for our television broadcasting business and we consider it to be a valuable strategic partner of ours.

Table of Contents

We own and operate one of the largest groups of primarily Spanish-language radio stations in the United States. We own and operate 47 radio stations in 18 U.S. markets. Our radio stations consist of 36 FM and 11 AM stations located in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas.

Our outdoor advertising operations consist of approximately 10,600 advertising faces concentrated primarily in high-density urban neighborhoods in Los Angeles and New York.

We generate revenue from sales of national and local advertising time on television and radio stations and advertising on our billboards. 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 outdoor advertising space is provided. We generally 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 commissions as deductions from gross revenue.

Our net revenue for the year ended December 31, 2006 was approximately $292 million. Of that amount, revenue generated by our television segment accounted for 54%, revenue generated by our radio segment accounted for 33% and revenue generated by our outdoor segment accounted for 13%.

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

About Our Company

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

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

Univision currently owns less than 15% of our common stock on a fully-converted basis. As of December 31, 2005, Univision owned approximately 30% of our common stock on a fully-converted basis. In connection with its merger with Hispanic Broadcasting Corporation in September 2003, Univision entered into an agreement with the U.S. Department of Justice, or DOJ, pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of our company would not exceed 15% by March 26, 2006 and will not exceed 10% by March 26, 2009. In January 2006, we sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for $90 million. Univision paid the full amount of the purchase price in the form of approximately 12.6 million shares of our Class U common stock held by Univision. Subsequently, in March 2006, we repurchased seven million shares of our Class U common stock held by Univision for $51.1 million. In July 2006, the Company repurchased 175,000 shares of Class U common stock held by

Univision for $1.4 million.

The Class U common stock has limited voting rights, does not include the right to elect directors and is automatically convertible into shares of our Class A common stock in connection with any transfer to a third party that is not an affiliate of Univision. As the holder of all of our issued and outstanding Class U common stock, Univision currently has the right to approve any merger, consolidation or other business combination involving our company, any dissolution of our company or any assignment of the Federal Communications Commission, or FCC, licenses for any of our Univision-affiliated television stations.

In addition, in June 2006, Univision publicly announced that it has agreed to a sale of Univision to a private equity consortium, and we do not believe that such sale will have a material effect on our business or our results of operations. For a more complete discussion of our relationship with Univision, please see Relationship with Univision, beginning at page 41 below and for a discussion of various risks related to our relationship with Univision, please see Risk Factors, beginning at page 27 below.

The Hispanic Market Opportunity in the United States

Our media assets target densely-populated and fast-growing Hispanic markets in the United States. We operate media properties in 12 of the 15 highest-density U.S. Hispanic markets. In addition, among the top 25 U.S. Hispanic markets, we operate media properties in 10 of the 15 fastest-growing markets. We believe that targeting the U.S. Hispanic market will translate into strong revenue growth for the foreseeable future for the following reasons:

U.S. Hispanic Population Growth. Our audience consists primarily of Hispanics, one of the fastest-growing segments of the U.S. population and, by current U.S. Census Bureau estimates, now the largest minority group in the United States. Approximately 43 million Hispanics live in the United States, accounting for approximately 14% of the total U.S. population. The overall Hispanic population is growing at over 7 times the rate of the non-Hispanic population and is expected to grow to 72.1 million, or approximately 20% of the total U.S. population, by 2025. Approximately 51% of the total future growth in the U.S. population through 2025 is expected to come from the Hispanic community.

Spanish-Language Use. Approximately 70% of all Hispanics in the United States speak some Spanish at home. The number of U.S. Hispanics that speak some Spanish at home is expected to grow from 29.9 million in 2005 to 48.7 million in 2025. We believe that the strong Spanish-language use among Hispanics indicates that Spanish-language media will continue to be an important source of news, sports and entertainment for Hispanics and an important vehicle for marketing and advertising.

Increasing U.S. Hispanic Buying Power. The U.S. Hispanic population is estimated to have accounted for total consumer expenditures of over $715 billion in 2005, an increase of 51% since 2000. Hispanics are expected to account for over $1 trillion in consumer expenditures by 2010, and by 2025 Hispanics are expected to account for approximately $3.1 trillion in consumer expenditures, or 14% of total U.S. consumer spending. Hispanic buying power is expected to grow at over five times the rate of the Hispanic population growth by 2025. We believe that these factors make Hispanics an attractive target audience for many major advertisers.

Attractive Profile of U.S. Hispanic Consumers. We believe that the demographic profile of the U.S. Hispanic audience makes it attractive to advertisers. We believe that the larger size and younger age of Hispanic households (averaging 3.4 persons and 27.0 years of age as compared to the U.S. non-Hispanic averages of 2.4 persons and 38.3 years of age) lead Hispanics to spend more per household on many categories of goods and services. Although the average U.S. Hispanic household has less disposable income than the average U.S. household, the average U.S. Hispanic household spends 15% more per year than the average U.S. non-Hispanic household on food at home, 79% more on children s clothing, 50% more on footwear and 35% more on laundry and household cleaning products. We expect Hispanics to continue to account for a disproportionate share of growth in spending nationwide in many important consumer categories as the U.S. Hispanic population and its disposable income continue to grow.

Spanish-Language Advertising. Over $3.4 billion of total advertising expenditures in the United States were placed in Spanish-language media in 2006, of which approximately 86% was placed in Spanish-language television and radio advertising. We believe that major advertisers have found that Spanish-language media are more cost-effective means to target the growing U.S. Hispanic audience than English-language media.

Table of Contents

Business Strategy

We seek to increase our advertising revenue through the following strategies:

Effectively Use Our Networks and Media Brands. We are the largest affiliate group of both the top-ranked Univision television network and Univision s TeleFutura network. Univision s primary network is the most watched television network (English- or Spanish-language) among U.S. Hispanic households. Univision s primary network, together with its TeleFutura Network, represented an approximately 74% share of the U.S. Spanish-language network television prime time audience of adults 18-49 years of age as of December 2006. Univision makes its networks Spanish-language programming available to our television stations 24 hours a day, including a prime time schedule on its primary network of substantially all first-run programming throughout the year.

We believe that the breadth and diversity of Univision s programming, combined with our local news and community-oriented segments, provide us with an advantage over other Spanish-language and English-language broadcasters in reaching U.S. Hispanic viewers. Our local content is designed to brand each of our stations as the best source for relevant community information that accurately reflects local interests and needs.

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

Invest in Media Research and Sales. We believe that continued use of industry-accepted ratings and surveys will allow us further to increase our advertising rates. We use standard industry ratings and surveys from third parties, including Nielsen Media Research, Arbitron and the Traffic Audit Bureau to provide a more accurate measure of consumers. We believe that our focused research and sales efforts will enable us to continue to achieve significant revenue and cash flow growth.

Continue to Benefit from Strong Management. We believe that we have one of the most experienced management teams in the industry. Walter Ulloa, our co-founder, Chairman and Chief Executive Officer, Philip Wilkinson, our co-founder, President and Chief Operating Officer, John DeLorenzo, our Executive Vice President and Chief Financial Officer, Jeffery Liberman, the President of our Radio Division, and Chris Young, the President of our Outdoor Division, have an average of more than 20 years of media experience. We intend to continue to build and retain our key management personnel and to capitalize on their knowledge and experience in the Spanish-language markets.

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

Take Advantage of Market Cross-Selling and Cross-Promotion. We believe that our uniquely diversified media asset portfolio provides us with a competitive advantage in targeting the U.S. Hispanic consumer. In many of our markets, we offer advertisers the ability to reach potential customers through a combination of television, radio and outdoor advertising. Currently, we operate some combination of television, radio and outdoor advertising in 13 markets. Where possible, we also combine our television, radio and outdoor advertising operations and management to create synergies and achieve cost savings.

Table of Contents

Target Other Attractive U.S. Hispanic Markets and Fill-In Acquisitions. We believe that our knowledge of, and experience with, the U.S. Hispanic marketplace will enable us to continue to identify acquisitions in the television, radio and outdoor advertising markets. Since our inception, we have used our management expertise, programming, local involvement and brand identity to improve our acquired media properties. Please see Acquisition and Disposition Strategies below.

Acquisition and Disposition Strategies

Our acquisition strategy focuses on increasing our presence in those markets in which we already compete, as well as expanding our operations into U.S. Hispanic markets where we do not own properties. We target fast-growing and high-density U.S. Hispanic markets. These include many markets in the southwestern United States, including Texas, California and various other markets along the United States/Mexican border. In addition, we pursue other acquisition opportunities in key strategic markets, or those which otherwise support our long-term growth plans.

One of our goals is to continue to create and grow media clusters within these target markets, featuring both Univision and TeleFutura television stations, together with a strong radio presence. We believe that these clusters provide unique cross-selling and cross-promotional opportunities, making Entravision an attractive option for advertisers wishing to reach the U.S. Hispanic consumer. Accordingly, in addition to targeting stations in U.S. Hispanic markets where we do not own properties, we focus on potential acquisitions of additional stations in our existing markets, particularly radio stations in those markets where we currently have only television stations.

In the past year, we made several acquisitions and dispositions in furtherance of the strategy outlined above. The following acquisitions demonstrate our continued efforts to target strategic U.S. Hispanic markets and to fill out our existing media clusters with additional quality assets:

- In February 2006, we acquired the assets of television stations KTIZ-LP, KSFE-LP, KLIA-LP and KFTN-LP in the McAllen, Texas market for $2.3 million in exchange for approximately $0.8 million in cash and the assets of television station KTFV-CA in the McAllen, Texas market;

- In July 2006, we acquired a full power television construction permit in Derby, Kansas for $2.7 million in an auction held by the FCC;

- In July 2006, we acquired the assets of radio station KBOC-FM in Dallas, Texas for $16.6 million; and

- In August 2006, we acquired the assets of television station KNEZ-LP (now KXOF-CA) in the Laredo, Texas market for $1.4 million.

In a strategic effort to focus our resources on strengthening existing clusters and expanding into new U.S. Hispanic markets, we regularly review our portfolio of media properties and seek to divest non-core assets in markets where we do not see the opportunity to grow to scale and build out clusters. In January 2006, we sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for $90 million. In September 2006, we sold the assets of radio station KZLZ-FM serving the Tucson, Arizona market for $4.8 million. In November 2006, we sold the assets of all of our radio stations serving the Dallas, Texas market (including the assets of KBOC-FM which we acquired in July 2006) for an adjusted purchase price of $92.5 million.

We have a history of net losses that may impact, among other things, our ability to implement our growth strategies. Although we had net income of $6.2 million for the year ended December 31, 2004, we had net losses of approximately $134.6 million and $9.7 million for the years ended December 31, 2006 and 2005, respectively. Please see Risk Factors, beginning at page 27.

Table of Contents

Television

Overview

We own and/or operate Univision-affiliated television stations in 23 markets, including 20 of the top 50 Hispanic markets in the United States. Our television operations are the largest affiliate group of the Univision networks. Univision s primary network is the leading Spanish-language network in the United States, reaching approximately 99% of all U.S. Hispanic households. Univision s primary network is the most watched television network (English- or Spanish-language) among U.S. Hispanic households. Univision s primary network, together with its TeleFutura Network, represent an approximately 74% share of the U.S. Spanish-language network television prime time audience of adults 18-49 years of age as of December 2006. We operate both Univision and TeleFutura affiliates in 18 of our 23 television markets. Univision s networks make their Spanish-language programming available to our Univision-affiliated stations 24 hours a day. Univision s prime time schedule on its primary network consists of substantially all first-run programming throughout the year.

Television Programming

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

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

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

Entravision Local Programming. We believe that our local news brands our stations in our television markets. We shape our local news to relate to and inform our target audiences. In 13 of our television markets, our early local news is ranked first or second among competing local newscasts regardless of language in its designated time slot among adults 18-34 years of age. We have made substantial investments in people and equipment in order to provide our local communities with quality newscasts. Our local newscasts have won numerous awards, and we strive to be the most important community voice in each of our local markets. In several of our markets, we believe that our local news is the only significant source of Spanish-language daily news for the Hispanic community.

Network Affiliation Agreements. Substantially all of our television stations are Univision- or TeleFutura-affiliated television stations. Our network affiliation agreements with Univision provide certain of our stations with the exclusive right to broadcast Univision s primary network and TeleFutura programming in their

Table of Contents

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 the affiliation agreements, we generally retain the right to sell approximately six minutes per hour of the available advertising time on Univision s primary network, and approximately four and a half minutes per hour of the available advertising time on the TeleFutura network. Those allocations are subject to adjustment from time to time by Univision.

Our network affiliation agreement with Fox Broadcasting Company, or Fox, gives us the right to broadcast Fox network programming on XHRIO-TV, serving the Matamoros/Harlingen-Weslaco-Brownsville-McAllen market, and KXOF-CA, serving the Laredo market, through June 30, 2010. The network affiliation agreement may be extended for successive one-year terms at Fox s option, subject to our consent. XHRIO-TV is currently operating as a Fox affiliate, and we expect to launch KXOF-CA as a Fox affiliate in June 2007.

XHAS-TV broadcasts Telemundo Network Group LLC, or Telemundo, network programming serving the Tijuana/San Diego market pursuant to a network affiliation agreement. Our network affiliation agreement with Telemundo gives us the right to provide Telemundo network programming on XHAS-TV for a six-year period expiring in July 2007. The affiliation agreement grants Telemundo a 20% interest in the sale purchase price, or the appreciation of the fair market value, of XHAS-TV above $31 million, plus capital expenditures and certain other adjustments, upon certain liquidity events as defined in the agreement. We also granted Telemundo an option to purchase our ownership interest in KTCD-LP at a purchase price equal to our cost for such interest, if we breach the agreement.

Our network affiliation agreement with MyNetworkTV, Inc., or MyNetworkTV, gives us the right to provide 12 hours per week of MyNetworkTV network programming on XDTV-TV, serving the Tecate/San Diego market. The network affiliation agreement provides for a five-year term to expire in 2012. The network affiliation agreement may be extended for successive one-year terms at MyNetworkTV s option, subject to our consent.

We cannot guarantee that our current network affiliation agreements will be renewed beyond their current expiration dates under their current terms or at all.

Marketing Agreements. Our marketing and sales agreement with Univision gives us the right through 2021 to manage the marketing and sales operations of Univision-owned TeleFutura affiliates in six markets Albuquerque, Boston, Denver, Orlando, Tampa and Washington, D.C. where we currently own and operate a Univision affiliate.

Long-Term Time Brokerage Agreements. We operate each of XDTV-TV, Channel 49, the MyNetworkTV network affiliate serving the Tecate/San Diego market; XHAS-TV, Channel 33, the Telemundo network affiliate serving the Tijuana/San Diego market; and XHRIO-TV, Channel 2, the Fox network affiliate serving the Matamoros/ Harlingen-Weslaco-Brownsville-McAllen market under long-term time brokerage agreements. Under those agreements, in combination with certain of our Mexican affiliates and subsidiaries, we provide the programming and related services available on these stations, but the stations retain absolute control of the content and other broadcast issues. These long-term time brokerage agreements expire in 2008, 2030 and 2035, respectively, and each provides for automatic, perpetual 30-year renewals unless both parties consent to termination. Each of these agreements provides for substantial financial penalties should the other party attempt to terminate prior to its expiration without our consent, and they do not limit the availability of specific performance as a remedy for any such attempted early termination.

Table of Contents

Our Television Station Portfolio

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

Market	Market Rank (by Hispanic Households)	Total Households	Hispanic Households	% Hispanic Households	Call Letters, Channel(1)	Programming
Harlingen-Weslaco-Brownsville-McAllen, Texas	10	327,070	268,650	82.1%	KNVO-TV, Channel 48 KVTF-CA, Channel 20 (2) KFTN-CA, Channel 30 KTFV-CA, Channel 32 KTIZ-LP, Channel 52 KSFE-LP, Channel 67	Univision TeleFutura TeleFutura TeleFutura MTV tr3s MTV tr3s
Albuquerque-Santa Fe, New Mexico	12	662,380	227,500	34.3%	KLUZ-TV, Channel 41 KTFQ-TV, Channel 14 (3) KTFA-LP, Channel 48	Univision TeleFutura Home Shopping Network
San Diego, California	14	1,030,020	218,090	21.2%	KBNT-CA, Channel 17 (2) KHAX-LP, Channel 49 KTCD-LP, Channel 46 KDTF-LP, Channel 36	Univision Univision Univision TeleFutura
Denver-Boulder, Colorado	15	1,431,910	210,010	14.7%	KCEC-TV, Channel 50 K43FN, Channel 43 KTFD-TV, Channel 14 (3) KDVT-LP, Channel 36	Univision Univision TeleFutura Jewelry Television
El Paso, Texas	16	293,700	208,400	71.0%	KINT-TV, Channel 26 KTFN-TV, Channel 65	Univision TeleFutura
Orlando-Daytona Beach-Melbourne, Florida	17	1,395,830	169,750	12.2%	WVEN-TV, Channel 26 W46DB, Channel 46 WOTF-TV, Channel 43 (3) WVCI-LP, Channel 16	Univision Univision TeleFutura Jewelry Television
Tampa-St. Petersburg (Sarasota), Florida	19	1,755,750	161,630	9.2%	WVEA-TV, Channel 62	Univision TeleFutura

					WFTT-TV, Channel 50 (3) WVEA-LP, Channel 46	Home Shopping Network
Washington, D.C.	20	2,272,120	160,860	7.1%	WFDC-TV, Channel 14 (3) WMDO-CA, Channel 47 (2) WJAL-TV, Channel 68	Univision TeleFutura English-Language
Las Vegas, Nevada	23	671,630	127,190	18.9%	KINC-TV, Channel 15 KNTL-LP, Channel 47 KWWB-LP, Channel 45 KELV-LP, Channel 27	Univision Univision Univision TeleFutura
Boston, Massachusetts	24	2,372,030	122,420	5.2%	WUNI-TV, Channel 27 WUTF-TV, Channel 66 (3)	Univision TeleFutura
Corpus Christi, Texas	26	194,160	101,130	52.1%	KORO-TV, Channel 28 KCRP-CA, Channel 41 (2)	Univision TeleFutura
Hartford-New Haven, Connecticut	30	1,014,630	76,590	7.5%	WUVN-TV, Channel 18 WUTH-CA, Channel 47 (2)	Univision TeleFutura
Monterey-Salinas-Santa Cruz, California	33	218,390	62,570	28.7%	KSMS-TV, Channel 67 KDJT-CA, Channel 33 (2)	Univision TeleFutura
Laredo, Texas	34	65,790	60,920	92.6%	KLDO-TV, Channel 27 KETF-CA, Channel 25 (2) KXOF-CA, Channel 39 (5)	Univision TeleFutura Fox
Yuma, Arizona-El Centro, California	35	107,360	57,190	53.3%	KVYE-TV, Channel 7 KAJB-TV, Channel 54 (3)	Univision TeleFutura

Table of Contents

Market	Market Rank (by Hispanic Households)	Total Households	Hispanic Households	% Hispanic Households	Call Letters, Channel(1)	Programming
Palm Springs, California	37	149,880	51,520	34.4%	KVER-CA, Channel 4 (2) KVES-LP, Channel 28 KEVC-CA, Channel 5 (2)	Univision Univision TeleFutura
Odessa-Midland, Texas	39	135,270	49,480	36.6%	KUPB-TV, Channel 18	Univision
Colorado Springs-Pueblo, Colorado	40	316,630	49,020	15.5%	KGHB-CA, Channel 27 (2)	Univision
Santa Barbara-Santa Maria- San Luis Obispo, California	45	227,700	44,740	19.6%	KPMR-TV, Channel 38 K10OG, Channel 10 K17GD, Channel 17 K28FK, Channel 28 K35ER, Channel 35 KTSB-LP, Channel 43	Univision TeleFutura TeleFutura TeleFutura TeleFutura TeleFutura
Lubbock, Texas	46	151,610	44,400	29.3%	KBZO-LP, Channel 51	Univision
Reno, Nevada	54	261,250	32,030	12.3%	KNVV-LP, Channel 41 KNCV-LP, Channel 48	Univision Univision
Springfield-Holyoke, Massachusetts	59	264,480	26,660	10.1%	WHTX-LP, Channel 43	Univision
San Angelo, Texas	79	52,930	15,100	28.5%	KEUS-LP, Channel 31 KANG-CA, Channel 41 (2)	Univision TeleFutura
Tecate, Baja California, Mexico (San Diego)					XDTV-TV, Channel 49 (4)	MyNetworkTV
Tijuana, Baja California, Mexico (San Diego)					XHAS-TV, Channel 33 (4)	Telemundo
Matamoros, Tamaulipas, Mexico (Harlingen-Weslaco-Brownsville-McAllen)					XHRIO-TV, Channel 2 (4)	Fox

Source: Nielsen Media Research 2007 universe estimates.

(1) With the exception of KUPB-TV, Odessa-Midland, Texas, the FCC has granted to each of our owned full-service analog television stations a paired channel to deliver our programming on a digital basis. These paired channel authorizations will remain in place until such time as we are required to operate solely on a digital basis. We are currently broadcasting on all of the paired digital stations pursuant to FCC authorizations. We are generally undertaking our digital transmissions at their fully authorized levels, except in a few instances where we were subject to installation delays and sought waivers from the FCC. Pursuant to a recently enacted statute, we will be required to return our analog authorizations and discontinue analog broadcasting on or before February 17, 2009.

(2) CA in call letters indicates station is under Class A television service.

(3) We run the sales and marketing operations of this station under a marketing and sales arrangement.

(4) We hold a minority, limited voting interest (neutral investment) in the entity that directly or indirectly holds the broadcast license for this station. Through that entity, we provide the programming and related services available on this station under a time brokerage arrangement. The station retains control of the contents and other broadcast issues.

(5) Expected to launch in June 2007.

Television Advertising

Substantially all of the revenue from our television operations is derived from local and national advertising and, in two markets, network compensation.

Local. Local advertising revenue is generated from commercial airtime and is sold directly by the station to an in-market advertiser or its agency. In 2006, local advertising accounted for approximately 51% of our total television revenue.

National. National advertising revenue represents commercial time sold to a national advertiser within a specific market by Univision, our national representative firm. For these sales, Univision is paid a 15% commission on the net revenue from each sale (gross revenue less agency commission). We target the largest national Spanish-language advertisers that collectively purchase the greatest share of national advertisements through Univision. The Univision representative works closely with each station s national sales manager. This has enabled us to secure major national advertisers, including Ford Motor Company, General Motors, Dodge, Toyota, Verizon, AT&T, McDonald s, Jack in the Box, Wal-Mart, and Safeway. We also added significant new national advertising accounts in 2006, including Alltell, JC Penney, CVS Pharmacy, Chase Bancorp and Cricket

Communications. We have a similar national advertising representative arrangement with Telemundo. XDTV is represented by Blair Television Inc., and XHRIO is represented by Petry Television. In 2006, national advertising accounted for approximately 48% of our total television revenue.

Network. Network compensation represents compensation for broadcasting network programming in two television markets. In 2006, network advertising accounted for approximately 1% of our total television revenue.

Television Marketing/Audience Research

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

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

Nielsen ratings provide advertisers with the industry-accepted measure of television viewing. Nielsen offers a general market service measuring all television audience viewing, as well as a separate service to specifically measure U.S. Hispanic audience viewing at the local market level. In recent years, Nielsen has modified the methodology of its general market service in an effort to more accurately measure U.S. Hispanic viewing by using language spoken in the home as a control characteristic of its metered market sample. Nielsen has also added weighting by language as part of its local metered market methodology. Of the metered markets in which we operate, to date only Albuquerque, Denver and San Diego have qualified for this language weighting, although we believe that other markets may qualify in future years. We believe that this new methodology ultimately will result in ratings gains for us in those markets, allowing us further to increase our advertising rates and narrow any disparities that have historically existed between English-language and Spanish-language advertising rates. We have made significant investments in experienced sales managers and account executives and have provided our sales professionals with research tools to continue to attract major advertisers.

The Nielsen rating services that we use are described below:

Nielsen Hispanic Station Index. This service measures U.S. Hispanic household and individual viewing information at the local market level. Each sample also reflects the varying levels of language usage by Hispanics in each market in order to reflect more accurately the Hispanic household population in the relevant market. Nielsen Hispanic Station Index only measures the audience viewing of U.S. Hispanic households, that is, according to Nielsen, households where the head of the household is of Hispanic descent or origin. Although this service offers improvements over previous measurement indices, we believe that it still under-reports the number of viewers watching our programming because we have viewers who do not live in Nielsen-defined Hispanic households.

Nielsen Station Index. This service measures local station viewing of all households and individuals in a specific market. This ratings service, however, is not language-stratified in markets in which we operate other than Albuquerque, Denver and San Diego, and we believe that it generally under-represents Spanish-speaking households. As a result, we believe that this service typically under-reports viewing of Spanish-language television. Despite this limitation, the Nielsen Station Index demonstrates that many of our broadcast stations achieve total market ratings that are fully comparable with their English-language counterparts, with 11 of our television stations ranking either first or second in their respective markets in prime time among adults 18-34 years of age.

Television Competition

We face intense competition in the broadcasting business. In each local television market, we compete for viewers and revenue with other local television stations, which are typically the local affiliates of the four principal English-language television networks, NBC, ABC, CBS and Fox and, in certain cities, the new CW network. In certain markets (other than San Diego), we also compete with the local affiliates or owned and operated stations of Telemundo, the Spanish-language television network that was acquired by NBC in 2002, as well as TV Azteca, the second-largest producer of Spanish-language programming in the world.

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

We believe that our primary competitive advantage is the quality of the programming we receive through our affiliation with Univision. Over the past five years, Univision s programming has consistently ranked first in prime time television among all U.S. Hispanic adults. In addition, Univision s primary network and the TeleFutura Network together have maintained superior audience ratings among all U.S. Hispanic households when compared to both Spanish-language and English-language broadcast networks.

NBC-owned Telemundo is the second-largest Spanish-language television network in the United States. As of December 31, 2006, Telemundo had total coverage reaching approximately 93% of all Hispanic households in its markets.

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

The quality and experience of our management team is a significant strength of our company. However, our growth strategy may place significant demands on our management, working capital and financial resources. We may be unable to identify or complete acquisitions due to strong competition among buyers, the high valuations of media properties and the need to raise additional financing and/or equity. Some of our competitors have more stations than we have, and may have greater resources than we do. While we compete for acquisitions effectively within many markets and within a broad price range, our larger competitors nevertheless may price us out of certain acquisition opportunities.

Radio

Overview

We own and operate 47 radio stations, 46 of which are located in the top 50 Hispanic markets in the United States. Our radio stations broadcast into markets with an aggregate of approximately 42% of the Hispanic population in the United States. Our radio operations combine network and local programming with local time slots available for advertising, news, traffic, weather, promotions and community events. This strategy allows us to provide quality programming with significantly lower costs of operations than we could otherwise deliver solely with independent programming.

Radio Programming

Radio Network. We broadcast into markets with an aggregate of over 16 million U.S. Hispanics. Our radio network broadcasts into 15 of the 18 markets that we serve. Our network allows advertisers with national product distribution to deliver a uniform advertising message to the growing Hispanic market around the country in an efficient manner and at a cost that is generally lower than our English-language counterparts.

Although our network has a broad geographic reach, technology allows our stations to offer the necessary local feel and to be responsive to local clients and community needs. Designated time slots are used for local advertising, news, traffic, weather, promotions and community events. The audience gets the benefit of a national radio sound along with local content. To further enhance this effect, our on-air personalities frequently travel to participate in local promotional events. For example, in selected key markets our on-air personalities appear at special events and client locations. We promote these events as remotes to bond the national personalities to local listeners. Furthermore, all of our stations can disconnect from the networks and operate independently in the case of a local emergency or a problem with our central satellite transmission.

Radio Formats. Our radio network produces three music formats that are simultaneously distributed via satellite with a digital CD-quality sound to our stations. These three formats each appeal to different listener preferences:

Super Estrella is a music-driven, pop and alternative Spanish-rock format, targeting primarily Hispanic listeners 18-34 years of age;

Radio Tricolor is a personality-driven format that includes Piolin por la Mañana in five markets, Ya Parate in the remaining markets and Mexican country-style music that primarily targets male Hispanic listeners 18-49 years of age; and

José: Toca lo Que Quiere (plays what he wants) features a mix of Spanish-language adult contemporary and Mexican regional hits from the 1970s through the present that targets Hispanic adults ages 25-54.

In addition, in markets where competing stations already offer programming similar to our network formats, or where we otherwise identify an available niche in the marketplace, we run alternative programming that we believe will appeal to local listeners, including the following:

in the Los Angeles market, we offer a Cumbia format a country-style Mexican dance music performed by groups targeting primarily male Hispanic listeners 18-34 years of age;

also in the Los Angeles market, we program an English-language alternative rock format targeting primarily adults 25-54 years of age;

in the McAllen, Texas market, our bilingual Tejano format a musical blend from the northern Mexican border states with influences from Texan country music targets primarily Hispanic adults 18-49 years of age;

also in the McAllen market, we program two English-language formats, a traditional rock-oriented format that targets primarily males 18-49 years of age and a 1980s and 1990s hit-based adult contemporary format targeting primarily women 25-54 years of age;

in the Sacramento market, we offer two English-language formats, a hip hop format targeting primarily adults 18-34 years of age and a country format targeting primarily adults 25-54 years of age; and

on two of our AM stations in Phoenix and El Paso we program ESPN Deportes, a Spanish-language sports talk format targeting adults 18-34 years of age, that is provided to us by a third party pursuant to a network affiliation agreement.

Table of Contents

Our Radio Station Portfolio

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

Market	Market Rank (by Hispanic Households)	Station	Frequency		Format
Los Angeles-San Diego-Ventura, California	1	KLYY-FM KDLD-FM KDLE-FM KSSC-FM KSSD-FM KSSE-FM	97.5 103.1 103.1 107.1 107.1 107.1	MHz MHz MHz MHz MHz MHz	Cumbia Alternative Rock (English) (1) Alternative Rock (English) (1) Super Estrella (1) Super Estrella (1) Super Estrella (1)
Miami-Ft. Lauderdale-Hollywood, Florida	3	WLQY-AM	1320	kHz	Time Brokered (2)
Houston-Galveston, Texas	4	KGOL-AM	1180	kHz	Time Brokered (2)
Phoenix, Arizona	9	KLNZ-FM KDVA-FM KVVA-FM KMIA-AM	103.5 106.9 107.1 710	MHz MHz MHz kHz	Radio Tricolor Super Estrella (1) Super Estrella (1) ESPN (Spanish)
Harlingen-Weslaco-Brownsville-McAllen, Texas	10	KFRQ-FM KKPS-FM KNVO-FM KVLY-FM	94.5 99.5 101.1 107.9	MHz MHz MHz MHz	Classic Rock (English) Tejano Latin Adult Contemporary Adult Contemporary (English)
Sacramento, California Stockton, California Modesto, California	11	KRCX-FM KNTY-FM KBMB-FM KXSE-FM KMIX-FM KCVR-AM KTSE-FM KCVR-FM	99.9 101.9 103.5 104.3 100.9 1570 97.1 98.9	MHz MHz MHz MHz MHz kHz MHz MHz	Radio Tricolor Country (English) Hip Hop (English) Super Estrella Radio Tricolor José (1) Super Estrella José (1)
Albuquerque-Santa Fe, New Mexico	12	KRZY-FM KRZY-AM	105.9 1450	MHz kHz	Super Estrella José
Denver-Boulder, Colorado	15				Super Estrella

		KJMN-FM	92.1	MHz	Radio Tricolor
		KXPK-FM	96.5	MHz	
Aspen, Colorado		KMXA-AM	1090	kHz	José
		KPVW-FM	107.1	MHz	
					Radio Tricolor
El Paso, Texas	16	KOFX-FM	92.3	MHz	Oldies (English)
		KINT-FM	93.9	MHz	
		KYSE-FM	94.7	MHz	José
		KSVE-AM	1150	kHz	
		KHRO-AM	1650	kHz	Super Estrella
					ESPN (Spanish)
					Talk (English)
Las Vegas, Nevada	23	KRRN-FM	92.7	MHz	Super Estrella
		KQRT-FM	105.1	MHz	
					Radio Tricolor
Monterey-Salinas-Santa Cruz, California	33	KLOK-FM	99.5	MHz	Radio Tricolor
		KSES-FM	107.1	MHz	
		KMBX-AM	700	kHz	Super Estrella (1)
					José
Yuma, Arizona-El Centro, California	35	KSEH-FM	94.5	MHz	Super Estrella
		KMXX-FM	99.3	MHz	
		KWST-AM	1430	kHz	Radio Tricolor
					Country (English)
Palm Springs, California	37	KLOB-FM	94.7	MHz	Super Estrella
Lubbock, Texas	46	KAIQ-FM	95.5	MHz	Super Estrella
		KBZO-AM	1460	kHz	
					Radio Tricolor
Reno, Nevada	54	KRNV-FM	102.1	MHz	Radio Tricolor

Market rank source: Nielsen Media Research 2007 estimates.

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

Radio Advertising

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

Local. This form of revenue refers to advertising usually purchased by a local client or agency directly from the station s sales force, revenues generated from a third-party through a network inventory agreement and non-traditional revenue. In 2006, local radio revenue accounted for approximately 77% of our total radio revenue.

National. This form of revenue refers to advertising purchased by a national client targeting a specific market. Usually this business is placed by a national advertising agency or media buying services and ordered through one of the offices of our national sales representative, Lotus/Entravision Reps LLC. Lotus/Entravision is a joint venture we entered into in August 2001 with Lotus Hispanic Reps Corp. The national accounts are handled locally by the station s general sales manager and/or national sales manager. In 2006, national radio advertising accounted for approximately 23% of our total radio revenue.

Radio Marketing/Audience Research

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

- the station s ability to attract listeners in a given market;
- the demand for available air time;
- the attractiveness of the demographic qualities of the listeners (primarily age and purchasing power);
- the time of day that the advertising runs;
- the program s popularity with listeners; and
- the availability of alternative media in the market.

Arbitron provides advertisers with the industry-accepted measure of listening audience classified by demographic segment and time of day that the listeners spend on particular radio stations. Radio advertising rates generally are highest during the morning and afternoon drive-time hours that are the peak times for radio audience listening.

Historically, advertising rates for Spanish-language radio stations have been lower than those of English-language stations with similar audience levels. We believe that we will continue to be able to increase our rates and narrow the disparities that have historically existed between Spanish-language and English-language advertising rates as new and existing advertisers recognize the growing desirability of targeting the Hispanic population in the United States. We also believe that having multiple stations in a market enables us to provide listeners with alternatives, to secure a higher overall percentage of a market s available advertising dollars and to obtain greater percentages of individual customers advertising budgets.

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

Radio Competition

Radio broadcasting is a highly competitive business. The financial success of each of our radio stations and markets depends in large part on our audience ratings, our ability to increase our market share of overall radio advertising revenue and the economic health of the market. In addition, our advertising revenue depends upon the desire of advertisers to reach our audience demographic. Each of our radio stations competes for audience share and advertising revenue directly with both Spanish-language and English-language radio stations in its market, and with other media, such as newspapers, broadcast and cable television, magazines, outdoor advertising, satellite-delivered radio services and direct mail advertising. In addition, in certain markets we operate television stations that indirectly compete for local and national advertising revenue with our radio business. Our primary competitors in our markets in Spanish-language radio are Univision (which merged with Hispanic Broadcasting Corporation in September 2003), Clear Channel Communications Inc. and Spanish Broadcasting System, Inc. Several of the companies with which we compete are large national or regional companies that have significantly greater resources and longer operating histories than we do.

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

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

- audio programming by cable television systems, broadcast satellite-delivered radio services, cellular telephones, Internet content providers and other digital audio broadcast formats and playback mechanisms;

- satellite-delivered digital audio services with CD-quality sound with both commercial-free and lower commercial load channels which have expanded their subscriber base and recently have introduced dedicated Spanish-language channels (for example, XM Satellite Radio now provides four Spanish-language channels, all commercial-free, and Sirius Satellite Radio provides three Spanish-language channels); and

- In-Band On-Channel digital radio, which could provide multi-channel, multi-format digital radio services in the same bandwidth currently occupied by traditional AM and FM radio services.

While ultimately we believe that none of these new technologies can replace local broadcast radio stations, the challenges from new technologies will continue to require attention from management. In addition, we will continue to review potential opportunities to utilize such new technologies. For example, we are in the process of converting a number of our stations to broadcast digital radio programming as well as analog programming, which we anticipate will allow us to provide additional content to our listeners.

Outdoor

Our outdoor portfolio provides local advertisers with significant coverage of the Los Angeles, New York, Fresno and Sacramento, California and Tampa, Florida markets. In certain markets, our outdoor advertising strategy complements our television and radio businesses by allowing us to capitalize on our Hispanic market expertise and allowing for cross-promotional opportunities with our radio business. The primary components of our strategy are to maximize the strengths of our inventory, continue to focus on ethnic communities and increase market penetration.

Because of its repetitive impact and relatively low cost, outdoor advertising attracts both national and local advertisers. We offer the ability to target specific demographic groups on a cost-effective basis as compared to other advertising media. In addition, we provide businesses with advertising opportunities in locations near their stores or outlets.

Table of Contents

Outdoor Advertising Markets

We own and/or operate approximately 10,600 outdoor advertising faces located primarily in high-density urban neighborhoods in Los Angeles and New York, the two largest Hispanic markets in the United States. We also maintain the exclusive rights to market advertising on public buses in the Fresno and Sacramento, California and Tampa, Florida markets. We believe that our outdoor advertising appeals to both large and small businesses.

Los Angeles. The greater Los Angeles area has a population of approximately 16.8 million, of which approximately 7.0 million, or 42%, is Hispanic. As such, Los Angeles ranks as the largest Hispanic advertising market in the United States. We believe that we own all of the 8-sheet advertising faces in Los Angeles. Substantially all of our billboard inventory in Los Angeles is located in neighborhoods where Hispanics represent a significant percentage of the local population. We believe that this coverage of the Hispanic population will continue to increase as the Hispanic community continues to grow. The Los Angeles metropolitan area has an extensive network of freeways and surface streets where the average commuter spends approximately 84 minutes per day in the car.

New York. The greater New York City area has a population of approximately 19.7 million, of which approximately 3.8 million, or 20%, is Hispanic. As such, New York ranks as the second largest Hispanic advertising market in the United States. We believe that we own substantially all of the 8-sheet and 30-sheet outdoor advertising faces in New York. We also own bulletins and larger outdoor faces in Times Square and along major highways and thoroughfares in New York s boroughs.

Outdoor Advertising Inventory

Our inventory consists of the following types of advertising faces that are typically located on sites for which we have leases or permanent easements:

Inventory Type	Los Angeles	New York	Fresno	Sacramento	Tampa
8-sheet posters	5,306	2,852	190		
30-sheet posters		1,146			
City-Lights	240				
Wall-Scapes		105			
Bulletins	14	154			
Transit Vehicles			100	282	170
Total	5,560	4,257	290	282	170

8-sheet posters are generally six feet high by 12 feet wide. Due to the smaller size of this type of billboard, 8-sheet posters are often located in densely populated or fast growing areas where larger signs do not fit or are not permitted, such as parking lots and other tight areas. Accordingly, most of our 8-sheet posters are concentrated on city streets, targeting both pedestrian and vehicular traffic and typically are sold to advertisers for periods of four weeks.

30-sheet posters are generally 12 feet high by 25 feet wide and are the most common type of billboard. Lithographed or silk-screened paper sheets, supplied by the advertiser, are pre-pasted and packaged in airtight bags by the outdoor advertising company and applied, like wallpaper, to the face of the display. Like the 8-sheets, our 30-sheet posters are concentrated on city streets, targeting both pedestrian and vehicular traffic and typically are sold to advertisers for periods of four weeks.

City-Lights structures are approximately seven feet wide by 10 feet high, set vertically on a single pole structure, and are visible during both the day and night. The advertisement is usually housed in an illuminated glass casing for greater visibility at night and is sold to advertisers for periods of four weeks. The format is typically used by national fashion, entertainment and consumer products companies desiring to target consumers within proximity of local malls or retail outlets.

Wall-Scapes generally consist of advertisements ranging in a variety of sizes (from 120 to 800 square feet) that are displayed on the sides of buildings in densely populated locations. Advertising formats can include either vinyl prints or painted artwork. Because of a Wall-Scape s greater impact and higher cost relative to other types of billboards, space is usually sold to advertisers for periods of six to 12 months.

Bulletins are generally 14 feet high by 48 feet wide and consist of panels or a single sheet of vinyl that are hand painted at the facilities of the outdoor advertising company or computer painted in accordance with design specifications supplied by the advertiser and mounted to the face of the display. Because of painted bulletins greater impact and higher cost relative to other types of billboards, they are usually located near major highways and are sold for periods of six to 12 months.

Transit Advertising is our newest form of outdoor advertising inventory and consists of advertising panels placed directly on public buses. We market this type of advertising product only in Tampa, Florida and Fresno and Sacramento, California, where we maintain exclusive rights through franchise agreements to sell advertising space on nearly all of Tampa s public buses until May 2011, nearly all of Fresno s public buses until December 31, 2007 and nearly all of Sacramento s public buses until March 31, 2008.

Outdoor Advertising Revenue

Advertisers usually contract for outdoor displays through advertising agencies, which are responsible for the artistic design and written content of the advertising. Advertising contracts are negotiated on the basis of monthly rates published in our rate card. These rates are based on a particular display s exposure (or number of impressions delivered) in relation to the demographics of the particular market and its location within that market. The number of impressions delivered by a display (measured by the number of vehicles passing the site during a defined period and weighted to give effect to such factors as its proximity to other displays and the speed and viewing angle of approaching traffic) is determined by surveys that are verified by the Traffic Audit Bureau, an independent agency which is the outdoor advertising industry s equivalent of television s Nielsen ratings and radio s Arbitron ratings.

In each of our markets, we employ salespeople who sell both local and national advertising. Our 2006 outdoor advertising revenue mix consisted of approximately 62% national advertisers and 38% local advertisers. We believe that our local sales force is crucial to maintaining relationships with key advertisers and agencies and identifying new advertisers.

Outdoor Advertising Competition

We compete in each of our outdoor markets with other outdoor advertisers including CBS Outdoor, Clear Channel Outdoor, Regency Outdoor Advertising and Van Wagner Communications. Many of these competitors have a larger national network and greater total resources than we have. In addition, we also compete with a wide variety of out-of-home media, including advertising in shopping centers, airports, stadiums, movie theaters and supermarkets, as well as on taxis, trains and buses. In competing with other media, outdoor advertising relies on its relative cost efficiency and its ability to reach a segment of the population with a particular set of demographic characteristics within that market.

Seasonality

Seasonal net broadcast revenue fluctuations are common in the television and radio broadcasting industry and the outdoor advertising industry and are due primarily to fluctuations in advertising expenditures by local and national advertisers. Our first fiscal quarter generally produces the lowest net revenue for the year.

Table of Contents

Material Trademarks, Trade Names and Service Marks

In the course of our business, we use various trademarks, trade names and service marks, including our logos and FCC call letters, in our advertising and promotions. We believe that the strength of our trademarks, trade names and service marks are important to our business and we intend to protect and promote them as appropriate. We do not hold or depend upon any material patent, government license, franchise or concession, except our broadcast licenses granted by the FCC. In addition, the majority of our outdoor advertising structures are subject to various state and local permitting requirements.

Employees

As of December 31, 2006, we had approximately 1,111 full-time employees, including 689 full-time employees in television, 324 full-time employees in radio and 69 full-time employees in outdoor advertising. As of December 31, 2006, five of our full-time television employees and seven of our full-time outdoor employees were represented by labor unions that have entered into collective bargaining agreements with us. We believe that our relations with these unions and with our employees generally are good.

Regulation of Television and Radio Broadcasting

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

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

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

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

changes to the license authorization process;

proposals to impose spectrum use or other fees on FCC licensees;

proposals to change rules relating to political broadcasting including proposals to grant free airtime to candidates;

proposals to restrict or prohibit the advertising of beer, wine and other alcoholic beverages;

proposals dealing with the broadcast of profane, indecent or obscene language and the consequences to a broadcaster for permitting such speech;

technical and frequency allocation matters;

modifications to the operating rules for digital television and radio broadcasting rules on both satellite and terrestrial bases;

the implementation or modification of rules governing the carriage of local analog and/or digital television signals by direct broadcast satellite services and cable television systems;

changes in local and national broadcast multiple ownership, foreign ownership, cross-ownership and ownership attribution rules; and

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

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

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

that the station has served the public interest, convenience and necessity;

that there have been no serious violations by the licensee of the Communications Act or the rules and regulations of the FCC; and

that there have been no other violations by the licensee of the Communications Act or the rules and regulations of the FCC that, when taken together, would constitute a pattern of abuse.

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

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

To obtain the FCC s prior consent to assign or transfer a broadcast license, appropriate applications must be filed with the FCC. If the application to assign or transfer the license involves a substantial change in ownership or control of the licensee, for example, the transfer or acquisition of more than 50% of the voting equity, the application must be placed on public notice for a period of 30 days during which petitions to deny the application may be filed by interested parties, including members of the public. If an assignment application does not involve new parties, or if a transfer of control application does not involve a substantial change in ownership or control, it is a pro forma application, which is not subject to the public notice and 30-day petition to deny

19

procedure. The regular and pro forma applications are nevertheless subject to informal objections that may be filed any time until the FCC acts on the application. If the FCC grants an assignment or transfer application, interested parties have 30 days from public notice of the grant to seek reconsideration of that grant. The FCC has an additional ten days to set aside such grant on its own motion. When ruling on an assignment or transfer application, the FCC is prohibited from considering whether the public interest might be served by an assignment or transfer to any party other than the assignee or transferee specified in the application.

Under the Communications Act, a broadcast license may not be granted to or held by persons who are not U.S. citizens, by any corporation that has more than 20% of its capital stock owned or voted by non-U.S. citizens or entities or their representatives, by foreign governments or their representatives or by non-U.S. corporations. Furthermore, the Communications Act provides that no FCC broadcast license may be granted to or held by any corporation directly or indirectly controlled by any other corporation of which more than 25% of its capital stock is owned of record or voted by non-U.S. citizens or entities or their representatives, or foreign governments or their representatives or by non-U.S. corporations. Thus, the licenses for our stations could be revoked if our outstanding capital stock is issued to or for the benefit of non-U.S. citizens in excess of these limitations. Our first restated certificate of incorporation restricts the ownership and voting of our capital stock to comply with these requirements.

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

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

A time brokerage agreement with another television or radio station in the same market creates an attributable interest in the brokered television or radio station as well for purposes of the FCC s local television or radio station ownership rules, if the agreement affects more than 15% of the brokered television or radio station s weekly broadcast hours. Likewise, a joint sales agreement involving radio stations creates a similar attributable interest for the broadcast station that is undertaking the sales function.

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

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

Under the ownership rules currently in place, the FCC generally permits an owner to have only one television station per market. A single owner is permitted to have two stations with overlapping signals so long

Table of Contents

as they are assigned to different markets. The FCC s rules regarding ownership permit, however, an owner to operate two television stations assigned to the same market so long as either:

- the television stations do not have overlapping broadcast signals; or

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

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

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

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

- in markets where ten media voices will remain, a television station owner may own an additional three radio stations.

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

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

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

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

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

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

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

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

On June 2, 2003, the FCC concluded a nearly two-year review of its media ownership rules. The FCC revised its national ownership policy, modified television and cross-ownership restrictions in a given market, and

Table of Contents

changed its methodology for defining radio markets. A number of parties appealed the FCC s June 2, 2003 decision. The United States Court of Appeals for the Third Circuit, in a decision reached on June 24, 2004, upheld certain of the Commission s actions while remanding others for further review by the FCC. In taking that action, the Court stayed the effectiveness of all of the FCC s actions but, in a subsequent decision, the Court permitted the FCC to implement the local radio multiple ownership rule changes that the Court had upheld. Certain of the petitioners in the case, but not the FCC or the U.S. Department of Justice, requested that the Supreme Court review the action of the Court which was denied. The FCC has commenced a proceeding to respond to the remand. Accordingly, the ultimate impact of changes in the FCC s restrictions on how many stations a party may own, operate and/or control and on our future acquisitions and competition from other companies is difficult to predict at this time.

The rules that have gone into effect amend the FCC s methodology for defining a radio market for the purpose of ownership caps. The FCC replaced its signal contour method of defining local radio markets in favor of a geographic market assigned by Arbitron, the private audience measurement service for radio broadcasters. For non-Arbitron markets, the FCC is conducting a rulemaking in order to define markets in a manner comparable to Arbitron s method. In the interim, the FCC will apply a modified contour approach, to non-Arbitron markets. This modified approach will exclude any radio station whose transmitter site is more than 58 miles from the perimeter of the mutual overlap area.

With regard to television service, the FCC s proposed rules, which remain stayed, state:

In markets with five or more television stations, a licensee may own two stations, but only one of these stations may be among the top four in ratings.

In markets with 18 or more television stations, a licensee may own up to three television stations, but only one of these may be among the top four in ratings.

Both commercial and non-commercial stations are counted in determining the number of stations in a market.

For markets with 11 or fewer television stations, a waiver may be sought for the merger of two top-four stations. The FCC s decision to grant a waiver will be based on whether local communities will be better served by the merger.

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

In establishing a national cap by statute, Congress did not make mention of the FCC s UHF discount policy, whereby UHF stations are deemed to serve only one-half of the population in their television markets. The FCC has commenced a proceeding to determine if Congress intended to alter this UHF discount policy. As the licensee of UHF television stations, the elimination or modification of the UHF discount policy could have an impact on the ability of Entravision to acquire television stations in additional markets.

With regard to cross-ownership caps, radio-television cross-ownership rules would have been significantly relaxed if the June 2003 rules were permitted to go into effect. Under that decision, no cross-ownership is permitted in markets with three or fewer television stations. A waiver may be available if it can be shown that the television station does not serve the area served by the cross-owned radio station. In markets with between four and eight television stations, combinations are limited to one of the following:

a daily newspaper, one television station and up to half of the radio station limit for that market;

a daily newspaper and up to the entire radio station limit for that market; and two television stations (subject to the local television ownership rule) and up to the entire radio station limit for that market.

For markets with nine or more television stations, the radio-television cross-ownership ban would be completely rescinded.

The future of the FCC s new rules is made uncertain not only by the Third Circuit s decision but also by the response of Congress to the FCC s relaxation of existing ownership limits. As discussed above, Congress has already modified the nationwide television ownership cap and has considered legislation that would roll back the FCC s proposed changes. Any actions by the FCC in the future regarding radio and/or television ownership may elicit further Congressional response.

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

The FCC requires that licensees must not discriminate in hiring practices. It has recently released new rules that will require us to adhere to certain outreach practices when hiring personnel for our stations and to keep records of our compliance with these requirements. On March 10, 2003, the FCC s new Equal Employment Opportunity rules went into effect. The rules set forth a three-pronged recruitment and outreach program for companies with five or more full-time employees that requires the wide dissemination of information regarding full-time vacancies, notification to requesting recruitment organizations of such vacancies, and a number of non-vacancy related outreach efforts such as job fairs and internships. Stations are required to collect various information concerning vacancies, such as the number filled, recruitment sources used to fill each vacancy, and the number of persons interviewed for each vacancy. While stations are not required to routinely submit information to the FCC, stations must place an EEO report containing vacancy-related information and a description of outreach efforts in their public file annually. Stations must submit the annual EEO public file report as part of their renewal applications, and television stations with five or more full-time employees and radio stations with more than ten employees also must submit the report midway through their license term for FCC review. Stations also must place their EEO public file report on their Internet websites, if they have one. Beyond our compliance efforts, the new EEO rules should not materially affect our operations. Failure to comply with the FCC s EEO rules could result in sanctions or the revocation of station licenses.

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

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

require carriage of its signal by cable systems in the station s market, which is referred to as must carry rules; or

negotiate the terms on which such broadcast station would permit transmission of its signal by the cable systems within its market which is referred to as retransmission consent.

Table of Contents

For the most part, we have elected must carry with respect to each of our full-power stations for the most-recent three-year period that commenced January 1, 2006. We are considering what elections to make in the next three-year period that will commence on January 1, 2009.

Under the FCC s rules currently in effect, cable systems are only required to carry one signal from each local broadcast television station. As our stations begin broadcasting digital signals, the cable systems that carry our stations analog signals will not be required to carry such digital signal until we discontinue our analog broadcasting. The FCC has considered rules to govern the obligations of cable systems to carry local stations signals during and following the transition from analog to digital television broadcasting. It has decided that there will be no dual carriage requirement obligating cable systems to carry a broadcaster s paired analog and digital channels. It has also decided that that cable systems will be required to carry only one channel of digital signal from each of our stations, despite the fact that operating in the digital mode we will be able to broadcast multiple digital services. While adoption of a multicast must-carry requirement might have enabled us to take advantage of this new technology with the guarantee that our multiple programming efforts would be entitled to cable carriage, such a requirement might also have subjected us to increased competition from other stations seeking to add programming that competes with our programming as one or more of their additional program streams. It also could have subjected the must carry regime to further judicial review that could have resulted in the elimination of must carry treatment which could have had detrimental consequences for us.

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

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

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

As part of its increased scrutiny of television and radio station acquisitions, the Department of Justice has stated publicly that it believes that time brokerage agreements and joint sales agreements could violate the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, if such agreements take effect prior to the expiration of the waiting period under such Act. Furthermore, the Department of Justice has noted that joint sales agreements may raise antitrust concerns under Section 1 of the Sherman Antitrust Act and has challenged them in certain locations. The Department of Justice also has stated publicly that it has established certain revenue and audience share concentration benchmarks with respect to television and radio station acquisitions, above which a transaction may receive additional antitrust scrutiny. See Risk Factors below.

Digital Television Services. The FCC has adopted rules for implementing digital television service in the United States. Implementation of digital television will improve the technical quality of television signals and provide broadcasters the flexibility to offer new services, including high-definition television and broadband data transmission.

The FCC has established service rules and adopted a table of allotments for digital television. Under the table, certain eligible broadcasters with a full-service television station have been allocated a separate channel for digital television operation. We have implemented a phase-in of our digital television service and all of our full-service stations are providing digital signals. On February 1, 2006, the Congress passed legislation requiring that analog broadcast of full-service television stations cease on February 17, 2009. We expect this deadline to remain effective. For a discussion of our stations compliance with the digital television broadcasting requirements, please see Risk Factors, below.

The FCC has adopted rules to permit low-power stations to operate on a paired or stand-alone basis in digital service. We have recently applied for authority for certain of our low-power stations to have paired operations. In those markets where no spectrum was available for paired operations, we will make a decision to switch individual stations from analog to digital service based on the viewing patterns of our viewers and the February 17, 2009 discontinuance of analog broadcast transmissions by full-service television stations.

Equipment and other costs associated with the transition to digital television, including the necessity of temporary dual-mode operations and the relocation of stations from one channel to another, have imposed some near-term financial costs on our television stations providing the services. The potential also exists for new sources of revenue to be derived from use of the digital spectrum. We cannot predict the overall effect the transition to digital television might have on our business.

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

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

Satellite Digital Audio Radio Service. The FCC has allocated spectrum to a new technology, satellite digital audio radio service, to deliver satellite-based audio programming to a national or regional audience. The FCC has licensed two entities, XM Radio, Inc. and Sirius Satellite Radio Inc., to provide this service. The nationwide reach of the satellite digital audio radio service allows niche programming aimed at diverse communities that we are targeting. This technology competes for audience share, but generally not for local advertising revenue, with conventional terrestrial radio broadcasting. These competitors have both commenced operations and are offering their services nationwide.

Low-Power Radio Broadcast Service. The FCC has created a low-power FM radio service and has granted a limited number of construction permits for such stations. The low-power FM service consists of two classes of radio stations, with maximum power levels of either 10 watts or 100 watts. The 10-watt stations will reach an area with a radius of between one and two miles, and the 100-watt stations reach an area with a radius of approximately three and one-half miles. The low-power FM stations are required to protect other existing FM stations, as currently required of full-powered FM stations.

The low-power FM service is exclusively non-commercial. To date, our stations have not suffered any technical interference to our stations signals. Due to current technical restrictions and the non-commercial ownership requirement for low-power FM stations, we have not found that low-power FM service has caused any detrimental economic impact on our stations as well.

Other Proceedings. The Satellite Home Viewer Improvement Act of 1999, or SHVIA, allows satellite carriers to deliver broadcast programming to subscribers who are unable to obtain television network programming over the air from local television stations. Congress in 1999 enacted legislation to amend the SHVIA to facilitate the ability of satellite carriers to provide subscribers with programming from local television stations. Any satellite company that has chosen to provide local-into-local service must provide subscribers with all of the local broadcast television signals that are assigned to the market and where television licensees ask to be carried on the satellite system. We have taken advantage of this law to secure carriage of our full-service stations in those markets where the satellite operators have implemented local-into-local service, although one of the satellite carriers, EchoStar/Dish Network, attempted to require its customers to install a second dish in order to receive our stations signals. The FCC has told this satellite carrier that it cannot utilize this second dish method of delivering our local broadcast signal to its customers, but an appeal is pending. The SHVIA expired in 2004 and Congress adopted the Satellite Home Viewer Extension and Reauthorization Act of 2004 (SHVERA). SHVERA extended the ability of satellite operators to implement local-into-local service and, among its other provisions, prevented the practice of satellite operators placing certain stations on a second dish, which disadvantaged our operations in certain markets. Please see Risk Factors, below.

Regulation of Outdoor Advertising

Outdoor advertising is subject to extensive governmental regulation at the federal, state and local levels. Federal law, principally the Highway Beautification Act of 1965, regulates outdoor advertising on federally aided primary and interstate highways. As a condition to federal highway assistance, the Highway Beautification Act requires states to restrict billboards on such highways to commercial and industrial areas and imposes certain additional size, spacing and other limitations. All states have passed state billboard control statutes and regulations at least as restrictive as the federal requirements, including removal of any illegal signs on such highways at the owner s expense and without compensation. We believe that the number of our billboards that may be subject to removal as illegal would have a limited impact on operations. No state in which we operate has banned billboards, but some have adopted standards more restrictive than the federal requirements.

Municipal and county governments generally also have sign controls as part of their zoning laws. Some local governments prohibit construction of new billboards and some allow new construction only to replace existing structures, although most allow construction of billboards subject to restrictions on zones, size, spacing and height. The cities of Los Angeles and New York, our two major outdoor advertising markets, have each implemented or initiated billboard controls imposing taxes, fees and/or registration requirements in an effort to decrease or restrict the type or number of outdoor signs.

In Los Angeles, a moratorium on the construction of new billboards remains in place. In 2002, the city enacted an ordinance requiring the payment of an annual fee in connection with a new billboard inspection program, and we joined with other outdoor advertising companies in litigation challenging the validity of that ordinance and the amount of the fee. In December 2004, we entered into a settlement agreement with the City of Los Angeles pursuant to which we agreed to remove 500 8-sheet faces and pay a periodic inspection fee in exchange for the ability to maintain certain other 8-sheet faces that do not conform with their existing permits in one or more ways, as well as the ability to upgrade additional 8-sheets into City-Lights. We believe that neither the loss of the 8-sheets that we will remove nor the fee that we have agreed to pay under this settlement will have a material adverse effect on our business. The settlement was challenged by other outdoor advertising companies operating in the Los Angeles market, but in August 2005 the challenges were dropped. We are currently working with the City of Los Angeles to implement the agreement.

Table of Contents

In New York, billboards are regulated primarily by provisions of the New York City Zoning Resolution and local municipal laws titled Local Law 14 of 2001 and Local Law 31 of 2005. The New York City Department of Buildings adopted a new rule, Rule 49, to implement Local Laws 14 and 31 and further regulate outdoor advertising within the city. As a result of Rule 49 becoming effective in August 2006, we may be required to remove advertising from some of our advertising faces. Other outdoor advertising companies operating in the New York market have filed lawsuits challenging the constitutionality of Rule 49. We do not expect Rule 49 as currently enacted, if it survives the challenge, to have a material adverse effect on the segment operating profit (loss) of our outdoor segment in the foreseeable future.

Federal law does not require the removal of existing lawful billboards, but does require payment of compensation if a state or political subdivision compels the removal of a lawful billboard along a federally aided primary or interstate highway. State governments have purchased and removed legal billboards for beautification in the past, using federal funding for transportation enhancement programs, and may do so in the future. Governmental authorities from time to time use the power of eminent domain to remove billboards. Thus far, we have been able to obtain satisfactory compensation for any of our billboards purchased or removed as a result of governmental action, although there is no assurance that this will continue to be the case in the future. Local governments do not generally purchase billboards for beautification, but some have attempted to force the removal of legal but nonconforming billboards (billboards which conformed with applicable zoning regulations when built but which do not conform to current zoning regulations) after a period of years under a concept called amortization, by which the governmental body asserts that just compensation is earned by continued operation over time. Although there is some question as to the legality of amortization under federal and many state laws, amortization has been upheld in some instances. We generally have been successful in negotiating settlements with municipalities for billboards required to be removed. Restrictive regulations also limit our ability to rebuild or replace nonconforming billboards. In addition, we are unable to predict what additional regulations may be imposed on outdoor advertising in the future. The outdoor advertising industry is heavily regulated and at various times and in various markets can be expected to be subject to varying degrees of regulatory pressure affecting the operation of advertising displays. The outdoor industry also is protected to varying degrees by state and federal legal, including constitutional, protections on expression.

State and local governments from time to time also regulate the outdoor advertising of alcohol products. Alcohol-related advertising represented approximately 10% of the total revenue of our outdoor advertising business in 2006. As a matter of both company policy and industry practice (on a voluntary basis), we do not post any alcohol advertisements within a 500 square foot radius of any school, church or hospital. Any significant reduction in alcohol-related advertising due to content-related restrictions could cause a reduction in our direct revenue from such advertisements and a simultaneous increase in the available space on the existing inventory of billboards in the outdoor advertising industry.

ITEM 1A. RISK FACTORS

We have a history of losses that, if continued, could adversely affect the market price of our securities and our ability to raise capital.

Although we had net income of $6.2 million for the year ended December 31, 2004, we had net losses of approximately $134.6 million and $9.7 million for the years ended December 31, 2006 and 2005, respectively. In addition, we had net losses applicable to common stockholders of $134.6 million, $9.7 million and $9.7 million for the years ended December 31, 2006, 2005 and 2004, respectively. If we cannot generate profits in the future, our failure to do so could adversely affect the market price of our securities, which in turn could adversely affect our ability to raise additional equity capital or to incur additional debt.

Table of Contents

If we cannot raise required capital, we may have to curtail existing operations and our future growth through acquisitions.

We may require significant additional capital for future acquisitions and general working capital and debt service needs. If our cash flow and existing working capital are not sufficient to fund future acquisitions and our general working capital and debt service requirements, we will have to raise additional funds by selling equity, refinancing some or all of our existing debt or selling assets or subsidiaries. None of these alternatives for raising additional funds may be available on acceptable terms to us or in amounts sufficient for us to meet our requirements. In addition, our ability to raise additional funds is limited by the terms of the credit agreement governing our syndicated bank credit facility. Our failure to obtain any required new financing may, if needed, prevent future acquisitions.

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

As of December 31, 2006, we had $492.5 million of debt outstanding under our syndicated bank credit facility. A significant portion of our cash flow from operations will be dedicated to servicing our debt obligations, and our ability to obtain additional financing may be limited. We may not have sufficient future cash flow to meet our debt payments, or we may not be able to refinance any of our debt at maturity. We have pledged substantially all of our assets to our lenders as collateral. Our lenders could proceed against the collateral to repay outstanding indebtedness if we are unable to meet our debt service obligations. If the amounts outstanding under our syndicated bank credit facility are accelerated, our assets may not be sufficient to repay in full the money owed to such lenders.

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

- limiting our ability to borrow additional amounts for working capital, capital expenditures, acquisitions, debt service requirements, execution of our growth strategy or other purposes; and
- placing us at a disadvantage compared to those of our competitors who have less debt.

The credit agreement governing our syndicated bank credit facility contains various covenants that limit management s discretion in the operation of our business and could limit our ability to grow and compete.

The credit agreement governing our syndicated bank credit facility contains various provisions that limit our ability to:

- incur additional debt and issue preferred stock;
- pay dividends and make other distributions;
- make investments, capital expenditures and other restricted payments;

- create liens;
- sell assets; and
- enter into certain transactions with affiliates.

These provisions restrict management s ability to operate our business in accordance with management s discretion and could limit our ability to grow and compete.

If we fail to comply with any of our financial covenants or ratios under our financing agreements, our lenders could:

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

Table of Contents

Any failure to maintain our FCC broadcast licenses could cause a default under our syndicated bank credit facility and cause an acceleration of our indebtedness.

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

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

We do not obtain long-term commitments from our advertisers, and advertisers may cancel, reduce or postpone orders without penalty. Cancellations, reductions or delays in purchases of advertising could adversely affect our revenue, especially if we are unable to replace such purchases. Our expense levels are based, in part, on expected future revenue and are relatively fixed once set. Therefore, unforeseen fluctuations in advertising sales could adversely impact our operating results.

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

Goodwill and intangible assets totaled $1.1 billion at December 31, 2006, primarily attributable to acquisitions in recent years. At the date of these acquisitions, the fair value of the acquired goodwill and intangible assets equaled its book value. At least annually, we test our goodwill and indefinite lived intangible assets for impairment. Impairment may result from, among other things, deterioration in our performance, adverse market conditions, adverse changes in applicable laws and regulations, including changes that restrict the activities of or affect the products or services sold by our businesses and a variety of other factors. The amount of any quantified impairment must be expensed as a charge to operations. In 2006, we determined that certain of our radio reporting unit assets were impaired, for which we recognized impairment losses of $156.2 million relating to goodwill and $33.5 million relating to FCC licenses in the Dallas and Denver markets. Appraisals of any of our reporting units or changes in estimates of our future cash flows could affect our impairment analysis in future periods and cause us to record either an additional expense for impairment of assets previously determined to be impaired or record an expense for impairment of other assets. Depending on future circumstances, we may never realize the full value of our intangible assets. Any determination of impairment of our goodwill or other intangibles could have an adverse effect on our financial condition and results of operations.

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

Univision is the holder of all of our issued and outstanding Class U common stock. Although the Class U common stock has limited voting rights and does not include the right to elect directors, Univision does have the right to approve any merger, consolidation or other business combination involving our company, any dissolution of our company and any assignment of the FCC licenses for any of our Univision-affiliated television stations. Univision s ownership interest may have the effect of delaying, deterring or preventing a change in control of our company and may make some transactions more difficult or impossible to complete without Univision s support.

Univision s future divestiture of a portion of its equity interest in our company could adversely affect the market price of our securities.

Univision currently owns less than 15% of our common stock on a fully-converted basis. As of December 31, 2005, Univision owned approximately 30% of our common stock on a fully-converted basis. In connection with its merger with Hispanic Broadcasting Corporation in September 2003, Univision entered into an agreement with the U.S. Department of Justice, or DOJ, pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of our company would not exceed 15% by March 26, 2006 and will not exceed 10% by March 26, 2009. Univision s required divestiture of a significant portion of its remaining equity interest in our company over the next several years, whether in a single transaction or a series of transactions, could depress the market value of our Class A common stock.

Our television ratings and revenue could decline significantly if our affiliation relationship with Univision or Univision s programming success changes in an adverse manner.

If our affiliation relationship with Univision changes in an adverse manner, or if Univision s programming success diminishes, our ability to generate television advertising revenue on which our television business depends could be negatively affected. Univision s ratings might decline or Univision might not continue to provide programming, marketing, available advertising time and other support to its affiliates on the same basis as currently provided. Additionally, by aligning ourselves closely with Univision, we might forego other opportunities that could diversify our television programming and avoid dependence on Univision s television networks. Univision s relationships with Televisa and Venevision are important to Univision s, and consequently our, continued success. Univision and Televisa are currently involved in litigation over programming provided to Univision by Televisa, and we cannot predict the outcome of their litigation or the effect that the outcome might have on our business or our results of operations. However, if Televisa were to stop providing programming to Univision as a result of this litigation or for any other reason, and Univision were unable to provide us with replacement programming of comparable quality, it could have a material adverse effect on our business and our results of operations. In addition, in June 2006, Univision publicly announced that it has agreed to a sale of Univision to a private equity consortium, and while we cannot predict the effect that such sale would have on our business or our results of operations, we currently do not believe that such sale will have a material adverse effect on our business or our results of operations.

Because three of our directors and officers, and stockholders affiliated with them, hold the majority of our voting power, they can ensure the outcome of most matters on which our stockholders vote.

As of December 31, 2006, Walter F. Ulloa, Philip C. Wilkinson and Paul Zevnik together hold approximately 82% of the combined voting power of our outstanding shares of common stock. Each of Messrs. Ulloa, Wilkinson and Zevnik is a member of our board of directors, and Messrs. Ulloa and Wilkinson also serve as executive officers of our company. In addition to their shares of our Class A common stock, collectively they own all of the issued and outstanding shares of our Class B common stock, which have ten votes per share on any matter subject to a vote of the stockholders. Accordingly, Messrs. Ulloa, Wilkinson and Zevnik have the ability to elect each of the members of our board of directors. Messrs. Ulloa, Wilkinson and Zevnik have agreed contractually to vote their shares to elect themselves as directors of our company. Messrs. Ulloa, Wilkinson and Zevnik, acting in concert, also have the ability to control the outcome of most matters requiring stockholder approval. This control may discourage certain types of transactions involving an actual or potential change of control of our company, such as a merger or sale of the company.

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

Our second amended and restated certificate of incorporation could make it more difficult for a third party to acquire us, even if doing so would benefit our stockholders. The provisions of our certificate of incorporation could diminish the opportunities for a stockholder to participate in tender offers. In addition, under our certificate of incorporation, our board of directors may issue preferred stock on terms that could have the effect of delaying or preventing a change in control of our company. The issuance of preferred stock could also negatively affect the voting power of holders of our common stock. The provisions of our certificate of incorporation may have the effect of discouraging or preventing an acquisition or sale of our business.

30

Table of Contents

In addition, the credit agreement governing our syndicated bank credit facility contains limitations on our ability to enter into a change of control transaction. Under this agreement, the occurrence of a change of control, in some cases after notice and grace periods, would constitute an event of default permitting acceleration of our outstanding indebtedness.

Displacement of any of our low-power television stations could cause our ratings and revenue for any such station to decrease.

A significant portion of our television stations is licensed by the FCC for low-power service only. Our low-power television stations operate with less power and coverage than our full-power stations. The FCC rules under which we operate provide that low-power television stations are treated as a secondary service. If any or all of our low-power stations are found to cause interference to full-power stations, we would be required to eliminate the interference or terminate service. As a result of the FCC s initiation of digital television service and actions by Congress to reclaim broadcast spectrum, channels 52-69, previously used for broadcasting, will be cleared and put up for auction generally to wireless services or assignment to public safety services. In a few urban markets where we operate, including Washington, D.C. and San Diego, there are a limited number of alternative channels to which our low-power television stations could migrate as they are displaced by full-power digital broadcasters and non-broadcast services. If we are unable to move the signals of our low-power television stations to replacement channels to the extent legally required, or such channels do not permit us to maintain the same level of service, we may be unable to maintain the viewership these stations currently have, which could harm our ratings and advertising revenue or, in the worst case, cause us to discontinue operations at these low-power television stations.

The FCC requires us to convert to digital television; additionally, such conversion may not result in commercial benefit unless there is sufficient consumer demand.

The FCC required full-power television stations in the United States to begin broadcasting a digital television, or DTV, signal by May 1, 2002. The FCC has allocated an additional television channel to most such station owners so that each full-power television station can broadcast a DTV signal on the additional channel while continuing to broadcast an analog signal on the station s original channel. As part of the transition from analog to DTV, full-power television station owners may be required to stop broadcasting analog signals and relinquish their analog channels to the FCC no later than February 17, 2009.

FCC rules allowed us initially to satisfy the obligation for our full-power television stations to begin broadcasting a DTV signal by broadcasting a lower-powered signal that serves at least each full-power television station s applicable community of license. In most instances, this rule permitted us to install temporary DTV facilities of a lower power level, which does not require the degree of capital investment that we had anticipated would be necessary to meet the requirements of our stations DTV authorizations. Our initial cost of converting our full-power stations to DTV, therefore, has been considerably lower than it would have been if we were required to operate immediately at the full signal strength provided for by our DTV authorizations.

We are currently broadcasting DTV signals for nearly all of our full-power television stations at lower power levels by means of temporary DTV facilities, pursuant to FCC authorization. The FCC required us to reach full-power operation, in order to protect the service contours we have sought for our full-service stations, on or before July 1, 2006. In those markets where we were unable to do so, we have asked for waivers and are diligently pursuing the work necessary to operate to the fullest extent of our digital authorizations. All on-air digital full-service stations currently must be simulcasting 100% of the video programming of their analog channels or their DTV channels. Until commercial demand for digital television services increases, these digital operations may not prove commercially beneficial. Our stations may continue to broadcast analog signals until the February 17, 2009 deadline for conversion to digital-only operations.

31

Table of Contents

Because our full-service television stations rely on must carry rights to obtain cable carriage, new laws or regulations that eliminate or limit the scope of our cable carriage rights could have a material adverse impact on our television operations.

Under the Cable Act, each full-service broadcast station is required to elect, every three years, to exercise the right either to require cable television system operators in its local market to carry its signal, or to prohibit cable carriage or condition it upon payment of a fee or other consideration. Under these must carry provisions of the Cable Act, a broadcaster may demand carriage on a specific channel on cable systems within its market. These must carry rights are not absolute, and under some circumstances, a cable system may be entitled not to carry a given station. Our television stations, for the most part, elected must carry on local cable systems for the three-year election period that commenced January 1, 2006, and, except for isolated cases, have obtained the carriage they requested.

Under current FCC rules, once we have relinquished our analog spectrum, cable systems will be required to carry our digital signals. The FCC s current rules require cable operators to carry only one channel of digital signal from each of our stations, despite the capability of digital broadcasters to broadcast multiple program streams within one station s digital allotment. The FCC has not yet set any rules for how direct broadcast satellite, or DBS, operators must handle digital station carriage, but we do not expect that they will be materially different from the obligations imposed on cable television systems.

The extent of the must carry rights television stations will have after they make the transition to DTV could still be changed as the DTV transition is implemented. New laws or regulations that eliminate or limit the scope of our cable carriage rights could have a material adverse impact on our television operations. We cannot predict what final rules the FCC ultimately will adopt or what effect those rules will have on our business.

We are considering whether, in the future, to continue to elect must-carry treatment or to negotiate retransmission consent agreements pursuant to which we could secure consideration in return for the carriage of our broadcast signals by cable television or satellite services.

Our low-power television stations do not have cable must carry rights. Some of our low-power television stations are carried on cable systems as they provide broadcast programming the cable systems desire. We may face future uncertainty with respect to the availability of cable carriage for our stations in seven markets where we currently hold only a low-power license.

The policies of direct broadcast satellite companies may make it more difficult for their customers to receive our local broadcast station signals.

The Satellite Home Viewer Improvement Act of 1999, or SHVIA, allows DBS television companies, which are currently DirecTV and EchoStar/Dish Network, for the first time to transmit local broadcast television station signals back to their subscribers in local markets. In exchange for this privilege, however, SHVIA requires that in television markets in which a DBS company elects to pick up and retransmit any local broadcast station signals, the DBS provider must also offer to its subscribers signals from all other qualified local broadcast television stations in that market. Our broadcast television stations in markets for which DBS operators have elected to carry local stations have sought to qualify for carriage under this carry one/carry all rule.

A controversy has arisen in the manner in which EchoStar/Dish Network has implemented the carry one/carry all rule. In order to get signals from all local stations, including the signals from our stations, EchoStar/Dish Network subscribers were being required to install a second receiving dish to receive all of the local stations in some markets. This was an inconvenience for the typical DBS subscriber and, as a result, limited the size of the viewership for our stations available only on the second dish under the carry one/carry all rule. The FCC has determined that EchoStar/Dish Network cannot require use of a second dish for carriage of local signals. EchoStar/Dish Network must implement alternative methods of complying with its SHVIA obligations, which has resulted in EchoStar/Dish Network not delivering certain of our stations to its customers primary dish.

Table of Contents

EchoStar/Dish Network has petitioned the FCC for reconsideration of this decision, and other parties have asked for review as to whether EchoStar/Dish Network was entitled to comply by any means other than by placing all television stations on the same dish. At this time, we cannot predict the outcome of this dispute or its effect on our stations ability to reach viewers who subscribe to EchoStar/Dish Network services.

The SHVIA expired in 2004 and Congress adopted the Satellite Home Viewer Extension and Reauthorization Act of 2004, or SHVERA. The SHVERA legislation has eliminated any second dish service.

The FCC s new ownership rules could lead to increased market power for our competitors.

On June 2, 2003, the FCC revised its national ownership policy, modified television and cross-ownership restrictions, and changed its methodology for defining radio markets. The future of the FCC s ownership rules remains uncertain due to the decision of the federal courts to remand the FCC s decision for further review by the FCC, except for provisions dealing with how the FCC determines the number of stations in local radio markets which were permitted to go into effect. Congress has also indicated its concern over the FCC s new rules and legislation has been considered to restrict the changes. To date, however, only a reduction in the nationwide television cap, to 39% of the viewing public, has been the subject of federal legislation. Accordingly, the impact of changes in the FCC s restrictions on how many stations a party may own, operate and/or control and on our future acquisitions and competition from other companies is difficult to predict at this time, but could result in our competitors ability to increase their presence in the markets in which we operate.

Available Information

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our corporate headquarters are located in Santa Monica, California. We lease approximately 16,000 square feet of space in the building housing our corporate headquarters under a lease expiring in 2012. We also lease approximately 38,000 square feet of space in the building housing our radio network and our outdoor division headquarters in Los Angeles, California, under a lease expiring in 2016.

The types of properties required to support each of our television and radio stations typically include offices, broadcasting studios and antenna towers where broadcasting transmitters and antenna equipment are located. The majority of our office, studio and tower facilities are leased pursuant to long-term leases. We also own the buildings and/or land used for office, studio and tower facilities at certain of our television and/or radio properties. We own substantially all of the equipment used in our television and radio broadcasting business. Substantially all of our outdoor advertising structures are located on property pursuant to leases that automatically renew unless either the property owner or we opt out upon proper notice. We believe that all of our facilities and equipment are adequate to conduct our present operations. We also lease certain facilities and broadcast equipment in the operation of our business. See Note 9 to Notes to Consolidated Financial Statements.

ITEM 3. LEGAL PROCEEDINGS

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

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

None.

Table of Contents

PART II

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

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

	High	Low
Year Ended December 31, 2005		
First Quarter	$ 9.08	$ 7.27
Second Quarter	$ 9.11	$ 7.25
Third Quarter	$ 9.50	$ 7.14
Fourth Quarter	$ 8.50	$ 6.90
Year Ending December 31, 2006		
First Quarter	$ 9.18	$ 6.80
Second Quarter	$ 9.18	$ 7.59
Third Quarter	$ 8.56	$ 6.59
Fourth Quarter	$ 8.43	$ 6.86

As of March 9, 2007, there were approximately 139 holders of record of our Class A common stock. We believe that the number of beneficial owners of our Class A common stock substantially exceeds this number.

Table of Contents

Performance Graph

The following graph, which was produced by Research Data Group, Inc., depicts our quarterly performance for the period from December 31, 2001 through December 31, 2006, as measured by total stockholder return on our Class A common stock compared with the total return of the S&P 500 Index and the S&P Broadcasting & Cable TV Index. Upon request, we will furnish to stockholders a list of the component companies of such indices.

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

Cumulative Total Return

	12/01	3/02	6/02	9/02	12/02	3/03	6/03	9/03	12/03	3/04	6/04
Entravision Communications Corporation	100.00	123.85	102.51	110.88	83.51	45.19	94.98	79.50	92.89	75.06	64.27
S & P 500	100.00	100.28	86.84	71.84	77.90	75.45	87.06	89.36	100.24	101.94	103.70
S & P Broadcasting & Cable TV	100.00	95.41	66.16	61.99	65.97	73.55	81.69	81.11	90.76	79.69	75.69

	9/04	12/04	3/05	6/05	9/05	12/05	3/06	6/06	9/06	12/06
Entravision Communications Corporation	63.68	69.87	74.23	65.19	65.86	59.58	76.65	71.72	62.26	68.79
S & P 500	101.76	111.15	108.76	110.25	114.23	116.61	121.52	119.77	126.56	135.03
S & P Broadcasting & Cable TV	73.14	82.69	83.66	76.50	74.66	69.02	68.37	80.11	86.47	99.38

* Assumes $100 invested on December 31, 2001 in stock or index-including reinvestment of dividends.

Table of Contents

Dividend Policy

We have never declared or paid any cash dividends on any class of our common stock. We currently intend to retain all future earnings, if any, to fund the development and growth of our business and do not anticipate paying any cash dividends on any class of our common stock in the foreseeable future. In addition, our syndicated bank credit facility restricts our ability to pay dividends on any class of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding outstanding options and shares reserved for future issuance under our equity compensation plans as of December 31, 2006:

Plan Category	Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding Securities Reflected in the First Column)
Equity compensation plans approved by security holders:			
Incentive Stock Plans (1)	10,397,670(2)	$ 10.85(3)	11,102,330
Employee Stock Purchase Plan	N/A(4)	N/A(4)	3,025,995
Equity compensation plans not approved by security holders			
Total	10,397,670	$ 10.85	14,128,325

(1) Represents information with respect to both our 2000 Omnibus Equity Incentive Plan and our 2004 Equity Incentive Plan. No options, warrants or rights have been issued other than pursuant to these plans.
(2) Includes an aggregate of 534,500 restricted stock units.
(3) Weighted average exercise price of outstanding options; excludes restricted stock units.
(4) Our 2001 Employee Stock Purchase Plan permits full-time employees to have payroll deductions made to purchase shares of our Class A common stock during specified purchase periods. The purchase price is the lower of 85% of (1) the fair market value per share of our Class A common stock on the last business day before the purchase period begins and (2) the fair market value per share of our Class A common stock on the last business day of the purchase period. Consequently, the price at which shares will be purchased for the purchase period currently in effect is not known.

Issuer Purchases of Equity Securities

On November 1, 2006, our Board of Directors approved a stock repurchase program. We are authorized to repurchase up to $100 million of our outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private repurchases. The extent and timing of any repurchases will depend on market conditions and other factors. We intend to finance stock repurchases, if and when made, with available cash on hand and cash provided by operations.

As of December 31, 2006, we had repurchased approximately 1.2 million shares at an average price of $7.42 for an aggregate purchase price of approximately $8.8 million, as follows:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plan or Program (in thousands)
November 1, 2006 to November 30, 2006	483,103	$ 7.38	483,103	$ 96,436
December 1, 2006 to December 31, 2006	692,683	$ 7.45	692,683	$ 91,275
Total	1,175,786	$ 7.42	1,175,786	$ 91,275

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The selected financial data set forth below with respect to our consolidated statements of operations for the years ended December 31, 2006, 2005 and 2004 and with respect to our consolidated balance sheets as of December 31, 2006 and 2005 have been derived from our audited consolidated financial statements which are included elsewhere herein. The consolidated statement of operations data for the years ended December 31, 2003 and 2002 and the consolidated balance sheet data as of December 31, 2004, 2003 and 2002 have been derived from our audited consolidated financial statements not included herein. The selected consolidated financial data set forth below is qualified in its entirety by, and should be read in conjunction with both, Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations of this annual report on Form 10-K and the consolidated statements and the notes to those consolidated financial statements included in Item 8 Financial Statements and Supplementary Data of this annual report on Form 10-K.

(In thousands, except share and per share data)

	Years Ended December 31,				
	2006	**2005**	**2004**	**2003**	**2002**
Statements of Operations Data:					
Net revenue	$ 291,752	$ 280,964	$ 259,053	$ 237,956	$ 218,450
Direct operating expenses	123,798	120,285	112,574	106,961	100,324
Selling, general and administrative expenses	51,993	51,755	49,792	50,599	47,168
Corporate expenses	18,851	17,513	16,860	14,951	16,897
Loss (gain) on sale of assets	(26,160)		(3,487)	945	707
Depreciation and amortization	44,690	46,411	42,795	43,684	40,649
Impairment charge	189,661				
	402,833	235,964	218,534	217,140	205,745
Operating income (loss)	(111,081)	45,000	40,519	20,816	12,705
Interest expense	(29,431)	(29,848)	(28,282)	(26,892)	(24,913)
Interest income	1,602	966	456	145	150
Loss on debt extinguishment		(27,969)			
Income (loss) before income taxes	(138,910)	(11,851)	12,693	(5,931)	(12,058)
Income tax benefit (expense)	4,463	2,338	(7,044)	(968)	122
Income (loss) before equity in net income (loss) of nonconsolidated affiliate	(134,447)	(9,513)	5,649	(6,899)	(11,936)
Equity in net income (loss) of nonconsolidated affiliate	(152)	(144)	(6)	295	213
Income (loss) before discontinued operations	(134,599)	(9,657)	5,643	(6,604)	(11,723)
Gain on disposal of discontinued operations			521	9,346	
Income (loss) from discontinued operations				(475)	1,078
Net income (loss)	(134,599)	(9,657)	6,164	2,267	(10,645)
Accretion of preferred stock redemption value			(15,913)	(11,348)	(10,201)
Net loss applicable to common stockholders	$ (134,599)	$ (9,657)	$ (9,749)	$ (9,081)	$ (20,846)

Net loss per share applicable to common stockholders, basic and diluted	$ (1.27)	$ (0.08)	$ (0.09)	$ (0.08)	$ (0.18)
Weighted average common shares outstanding, basic and diluted	106,078,486	124,293,792	105,758,136	112,611,511	119,110,908

	Years Ended December 31,				
	2006	2005	2004	2003	2002
Other Data:					
Capital asset and intangible expenditures	$ 23,926	$ 19,854	$ 15,572	$ 17,661	$ 19,533
Balance Sheet Data:					
Cash and cash equivalents	$ 118,525	$ 65,610	$ 46,969	$ 19,806	$ 12,201
Total assets	$ 1,418,664	$ 1,743,159	$ 1,689,712	$ 1,686,968	$ 1,573,481
Long-term debt, including current portion	$ 497,770	$ 506,602	$ 482,976	$ 377,615	$ 305,878
Series A mandatorily redeemable convertible preferred stock	$	$	$	$ 112,269	$ 100,921
Total stockholders equity	$ 751,719	$ 1,028,933	$ 1,037,672	$ 1,046,001	$ 1,015,043

Table of Contents

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, 2006, 2005 and 2004 and consolidated financial condition as of December 31, 2006 and 2005 should be read in conjunction with our consolidated financial statements and the related notes included elsewhere in this document.

OVERVIEW

We are a diversified Spanish-language media company with a unique portfolio of television, radio and outdoor advertising assets, reaching approximately 65% of all Hispanics in the United States. We operate in three reportable segments: television broadcasting, radio broadcasting and outdoor advertising.

As of the date of filing this report, we own and/or operate 51 primary television stations that are located primarily in the southwestern United States. We own and operate 47 radio stations (36 FM and 11 AM) located primarily in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas. Our outdoor advertising segment consists of approximately 10,600 advertising faces located primarily in Los Angeles and New York.

The comparability of our results between 2006 and 2005 is significantly affected by acquisitions and dispositions in those periods. In those years, we primarily acquired new media properties in markets where we already owned existing media properties. While new media properties contribute to the financial results of their markets, we do not attempt to measure their effect as they typically are integrated into existing operations.

We generate revenue from sales of national and local advertising time on television and radio stations and advertising on our billboards. 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 outdoor advertising services are provided. We do not obtain long-term commitments from our advertisers and, consequently, they may cancel, reduce or postpone orders without penalties. We pay commissions to agencies for local, regional and national advertising. For contracts directly with agencies, we record net revenue from these agencies. Seasonal revenue fluctuations are common in the broadcasting and outdoor advertising industries and are due primarily to variations in advertising expenditures by both local and national advertisers.

Our primary expenses are employee compensation, including commissions paid to our sales staffs and amounts paid to our national representative firms, as well as expenses for marketing, promotion and selling, technical, local programming, engineering, leasing 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

Despite continuing competition for advertising revenue among broadcasters and between the broadcast industry and other media, we experienced net revenue growth of $292 million for the year ended December 31, 2006. Revenue generated by our television segment accounted for 54%, revenue generated by our radio segment accounted for 33% and revenue generated by our outdoor segment accounted for 13% of our total revenue.

Our television segment led our success again in 2006, generating $158 million in net revenue as we continued to sustain solid ratings across our station group. Our television results were driven by continued growth in our top advertising categories, including automotive, services, fast-food restaurants and telecommunications. The strength of our television results was also partially attributable to World Cup and political advertising. We currently anticipate that the general demand for our advertising inventory will increase in future periods. However, we would need to overcome strong 2006 revenue comparables from such major events as World Cup and political activity in both the U.S. and Mexico if we are to match the rate of revenue increase we experienced in 2006. We cannot give any assurance that sustaining such rate of increased revenue growth in 2007 is achievable. We continue to enjoy significant revenue growth from our television stations located in certain markets with rapidly growing Hispanic populations, such as Las Vegas, Albuquerque, Palm Springs, Yuma-El Centro, Santa Barbara, Reno and Odessa-Midland, each of which experienced greater than 15% net revenue growth in 2006.

Based on stations we operated for the full year, our radio segment outperformed the general radio industry as a whole contributing $91 million in net revenue in 2006. On the other hand, the segment also faced challenges during the year, with certain markets either not experiencing revenue growth or not growing at a rate higher than that of the general radio industry. In addressing this, we continued our strategy of divesting assets in markets where we did not see the opportunity to grow to scale and build out clusters. For example, in January 2006 we disposed of the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market; in September 2006, we disposed of the assets of radio station

KZLZ-FM, serving the Tucson market; and in November 2006 we disposed of the assets of all of our radio stations serving the Dallas, Texas market. This strategy also allows us to redeploy capital to markets with greater growth and earnings potential. Additionally, we continue to focus on local sales efforts, which accounted for 77% of total sales in 2006.

Also, in 2006, we determined that certain of our radio assets were impaired, for which we recognized impairment losses of $156.2 million relating to goodwill and $33.5 million relating to FCC licenses in the Dallas and Denver markets. The impairment was primarily related to a general slowing of growth in the radio industry over recent quarters. Please see Sensitivity of Critical Accounting Estimates, beginning at page 59 below.

Our outdoor segment provided $37 million of our net revenue in 2006, and benefited from continuing overall demand for outdoor advertising in New York, Sacramento and Fresno, California and Tampa, Florida. In addition, increased local sales played a key role in the growth of our outdoor advertising operations in 2006. We have made a concerted effort to strengthen the staffing and training of our local sales force, and we anticipate that this focus will continue in 2007. We also continue to grow our transit advertising operations. In May 2006, we entered into a five-year agreement with the Hillsborough Transit Authority to sell advertising on municipal buses in the Tampa, Florida market. We believe that expanding our transit advertising creates opportunities to provide broader advertising coverage for national advertisers.

Acquisitions and Dispositions

In February 2006, we acquired the assets of television stations KTIZ-LP, KSFE-LP, KLIA-LP and KFTN-LP in the McAllen, Texas market for $2.3 million in exchange for approximately $0.8 million in cash and the assets of television station KTFV-CA in the McAllen, Texas market.

In July 2006, we acquired a full power television construction permit in Derby, Kansas for $2.7 million in an auction held by the FCC.

In July 2006, we acquired the assets of radio station KBOC-FM in Dallas, Texas for $16.6 million.

In August 2006, we acquired the assets of television station KNEZ-LP (now KXOF-CA) in the Laredo, Texas market for $1.4 million.

We evaluated the transferred set of activities, assets, inputs, outputs and processes from each of our completed 2006 acquisitions and determined that the items excluded were significant and that each of these acquisitions was not considered a business.

Table of Contents

In January 2006, we sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for $90 million. The full amount of the purchase price was paid in the form of 12,573,871 shares of our Class U common stock held by Univision based on the ten-day volume weighted average share price of $7.1577 between December 15, 2005 and December 29, 2005. We realized a gain on sale of $10.5 million, net of tax of $7 million. We had a loss of approximately $2.4 million related to the closure of the San Francisco/San Jose facility.

In September 2006, we sold the assets of radio station KZLZ-FM serving the Tucson, Arizona market for $4.8 million. We realized a gain on sale of $0.7 million, net of tax of $0.4 million.

In November 2006, we sold the assets of all of our radio stations serving the Dallas, Texas market, including the assets of KBOC-FM which the Company acquired in July 2006 for an adjusted purchase price of $92.5 million. We realized a gain on sale of $7.9 million. The carrying value of certain of the assets had been adjusted to fair value less costs to sell, resulting in an impairment charge of $16 million, net of tax of $11 million, in the second quarter of 2006.

The assets sold in 2006 did not constitute a component set under SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144); therefore, there is no presentation of discontinued operations.

Relationship with Univision

Univision currently owns less than 15% of our common stock on a fully-converted basis. As of December 31, 2005, Univision owned approximately 30% of our common stock on a fully-converted basis. In connection with its merger with Hispanic Broadcasting Corporation in September 2003, Univision entered into an agreement with the U.S. Department of Justice, or DOJ, pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of our company would not exceed 15% by March 26, 2006 and will not exceed 10% by March 26, 2009. In January 2006, we sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for $90 million. Univision paid the full amount of the purchase price in the form of approximately 12.6 million shares of our Class U common stock held by Univision. In March 2006, we repurchased seven million shares of our Class U common stock held by Univision for $51.1 million using cash generated from operations and unrestricted proceeds which were remaining from our refinanced syndicated bank credit facility. In July 2006, the Company repurchased 175,000 shares of Class U common stock held by Univision for $1.4 million.

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

Univision acts as the Company s exclusive sales representative for the sale of all national advertising aired on Univision-affiliate television stations. During the years ended December 31, 2006 and 2005, the amount paid by the Company to Univision in this capacity was $10.4 and $9.3 million, respectively.

In addition, in June 2006, Univision publicly announced a sale of Univision to a private equity consortium, and while we cannot predict the effect that such sale would have on our business or our results of operations, we currently do not believe that such sale will have a material adverse effect on our business or our results of operations.

Table of Contents

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 and loss (gain) on sale of assets. The Company evaluates the performance of its operating segments based on the following (unaudited; in thousands):

	Years Ended December 31,			% Change	% Change
	2006	2005	2004	2006 to 2005	2005 to 2004
Net Revenue					
Television	$ 158,466	$ 146,184	$ 135,866	8%	8%
Radio	96,668	100,582	92,239	(4)%	9%
Outdoor	36,618	34,198	30,948	7%	11%
Consolidated	291,752	280,964	259,053	4%	8%
Direct operating expenses					
Television	61,620	58,420	55,498	5%	5%
Radio	36,686	37,775	35,182	(3)%	7%
Outdoor	25,492	24,090	21,894	6%	10%
Consolidated	123,798	120,285	112,574	3%	7%
Selling, general and administrative expenses					
Television	23,902	22,524	21,217	6%	6%
Radio	22,358	24,310	23,615	(8)%	3%
Outdoor	5,733	4,921	4,960	17%	(1)%
Consolidated	51,993	51,755	49,792	0%	4%
Depreciation and amortization					
Television	15,374	15,485	14,126	(1)%	10%
Radio	6,395	8,317	7,292	(23)%	14%
Outdoor	22,921	22,609	21,377	1%	6%
Consolidated	44,690	46,411	42,795	(4)%	8%
Segment operating profit (loss)					
Television	57,570	49,755	45,025	16%	11%
Radio	31,229	30,180	26,150	3%	15%
Outdoor	(17,528)	(17,422)	(17,283)	1%	1%
Consolidated	71,271	62,513	53,892	14%	16%
Corporate expenses	18,851	17,513	16,860	8%	4%
Gain on sale of assets	(26,160)		(3,487)	*	*
Impairment charge	189,661			*	*
Operating income (loss)	$ (111,081)	$ 45,000	$ 40,519	*	11%
Consolidated adjusted EBITDA	$ 100,081	$ 92,473	$ 79,956	8%	16%

Capital expenditures			
Television	$ 18,700	$ 14,843	$ 10,494
Radio	3,185	3,347	3,311
Outdoor	2,041	1,664	1,767
Consolidated	$ 23,926	$ 19,854	$ 15,572
Total assets			
Television	$ 529,478	$ 493,904	$ 420,588
Radio	713,855	984,559	1,053,754
Outdoor	175,331	195,242	215,370
Assets held for sale (Radio)		69,454	
Consolidated	$ 1,418,664	$ 1,743,159	$ 1,689,712

(footnotes on next page)

Table of Contents

(footnotes from preceding page)

* Percentage not meaningful.

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

Since our ability to borrow from our syndicated bank credit facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The maximum net debt ratio, or the ratio of consolidated total debt minus cash, up to a maximum of $20 million, to consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. Under our syndicated bank credit facility, our maximum net debt ratio may not exceed 7.25 to 1 on a pro forma basis for the prior full year. The actual maximum net debt ratios were as follows (in each case as of December 31): 2006, 4.9 to 1; 2005 5.3 to 1; 2004 5.8 to 1. Therefore, we were in compliance with this covenant at each of those dates. We entered into our new syndicated bank credit facility in September 2005, so we were not subject to the same calculations and covenants in prior years. However, for consistency of presentation, the foregoing historical ratios assume that our current definition had been applicable for all periods presented. The maximum net debt ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense.

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

Table of Contents

	Years Ended December 31,		
	2006	2005	2004
Consolidated adjusted EBITDA (1)	$ 100,081	$ 92,473	$ 79,956
Interest expense	(29,431)	(29,848)	(28,282)
Interest income	1,602	966	456
Loss on debt extinguishment		(27,969)	
Income tax (expense) benefit	4,463	2,338	(7,044)
Amortization of syndication contracts	(87)	(72)	(280)
Payments on syndication contracts	83	7	254
Gain on sale of assets	26,160		3,487
Non-cash expense included in corporate expenses	(213)		
Non-cash stock-based compensation included in direct operating expenses	(267)		
Non-cash stock-based compensation included in selling, general and administrative expenses	(911)	(229)	(22)
Non-cash stock-based compensation included in corporate expenses	(1,576)	(768)	(81)
Depreciation and amortization	(44,690)	(46,411)	(42,795)
Impairment charge	(189,661)		
Income (loss) before equity in net loss of nonconsolidated affiliates	(134,447)	(9,513)	5,649
Equity in net loss of nonconsolidated affiliates	(152)	(144)	(6)
Income (loss) before discontinued operations	(134,599)	(9,657)	5,643
Gain on disposal of discontinued operations			521
Net income (loss)	(134,599)	(9,657)	6,164
Depreciation and amortization	44,690	46,411	42,795
Impairment charge	189,661		
Deferred income taxes	(8,882)	(3,748)	5,647
Amortization of debt issue costs	406	1,888	2,914
Amortization of syndication contracts	87	72	280
Payments on syndication contracts	(83)	(7)	(254)
Equity in net loss of nonconsolidated affiliate	152	144	6
Non-cash stock-based compensation	2,754	997	103
Gain on sale of media properties and other assets	(26,160)		(4,008)
Loss on debt extinguishment		9,581	
Change in fair value of interest rate swap agreements	(2,359)	(3,750)	
Changes in assets and liabilities, net of effect of acquisitions and dispositions:			
Increase in accounts receivable	(76)	(8,267)	(2,910)
Decrease (increase) in prepaid expenses and other assets	929	(2,254)	26
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(4,491)	4,530	1,834
Cash flows from operating activities	$ 62,029	$ 35,940	$ 52,597

Year Ended December 31, 2006 Compared to Year Ended December 31, 2005

Consolidated Operations

Net Revenue. Net revenue increased to $291.8 million for the year ended December 31, 2006 from $281.0 million for the year ended December 31, 2005, an increase of $10.8 million. Excluding the 2006 and 2005 net revenue contributed by our radio stations in the San Francisco/San Jose, Tucson and Dallas markets that we sold in 2006, net revenue would have increased by $20.5 million during the year ended December 31, 2006. Of the overall increase, $12.3 million came from our television segment. The increase from this segment was primarily attributable to an increase in both local and national advertising sales, primarily attributable to an increase in advertising rates, partially attributable to World Cup and political advertising. Additionally, $2.4 million of the overall increase was from our outdoor segment, primarily attributable to revenue associated with the expansion of our outdoor division in Tampa and Sacramento, as well as an increase in local advertising sales. The overall increase was partially offset by a $3.9 million decrease in our radio net revenue. The decrease was primarily attributable to a decrease in net revenue of $9.7 million from our San Francisco/San Jose, Tucson and Dallas radio stations that we sold, partially offset by an increase in inventory sold and advertising rates.

We currently anticipate that the number of advertisers purchasing Spanish-language advertising will continue to rise and will result in greater demand for our inventory. We expect that this increased demand will, in turn, allow us to continue to increase our rates, resulting in continued increases in net revenue in future periods. However, we would need to overcome strong 2006 revenue comparables from such major events as World Cup and political activity in both the U.S. and Mexico if we are to match the rate of revenue increase we experienced in 2006. We cannot give any assurance that sustaining such rate of increased revenue growth in 2007 is achievable.

Direct Operating Expenses. Direct operating expenses increased to $123.8 million for the year ended December 31, 2006 from $120.3 million for the year ended December 31, 2005, an increase of $3.5 million. Excluding the 2006 and 2005 direct operating expenses incurred by our radio stations in the San Francisco/San Jose, Tucson and Dallas markets that we sold in 2006, direct operating expenses would have increased by $7.0 million during the year ended December 31, 2006. Of the overall increase, $3.2 million came from our television segment. The increase from this segment was primarily attributable to an increase in national representation fees and other sales expenses associated with the increase in net revenue and an increase in syndicated programming expense, partially offset by reduced expenses in accordance with the terms of an amendment to our marketing and sales agreement with Univision. Additionally, $1.4 million of the overall increase came from our outdoor segment and was primarily attributable to higher lease rents for our billboard locations and expenses associated with the expansion of our outdoor division in Tampa and Sacramento. The overall increase was partially offset by a $1.1 million decrease in our radio direct operating expenses. The decrease was primarily attributable to a decrease in direct operating expenses of $3.5 million from our San Francisco/San Jose, Tucson and Dallas radio stations that we sold, partially offset by an increase in commissions and other sales-related expenses associated with the increase in net revenue of the other radio stations. As a percentage of net revenue, direct operating expenses decreased to 42% for the year ended December 31, 2006 from 43% for the year ended December 31, 2005. Direct operating expenses as a percentage of net revenue decreased because direct operating expenses increases were outpaced by increases in net revenue.

We currently anticipate that our direct operating expenses will continue to increase as our net revenue increases. We expect that net revenue increases will outpace direct operating expense increases such that direct operating expenses as a percentage of net revenue will continue to remain constant or decrease in future periods.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $52.0 million for the year ended December 31, 2006 from $51.8 million for the year ended December 31, 2005, an increase of $0.2 million. Excluding the 2006 and 2005 selling, general and administrative expenses incurred by our radio stations in the San Francisco/San Jose, Tucson and Dallas markets that we sold in 2006, selling, general and administrative expenses would have increased by $2.6 million during the year ended December 31, 2006. Of the overall increase, $1.4 million came from our television segment. The increase from this segment was primarily attributable to an increase in bad debt expense, an increase in insurance, and increased non-cash stock based compensation of $0.6 million, partially offset by reduced expenses in accordance with the terms of an amendment to our marketing and sales agreement with Univision. Additionally, $0.8 million of the overall increase came from the outdoor segment, primarily attributable to expenses associated with the expansion of our outdoor division in Tampa and Sacramento. The overall increase was partially offset by a $2.0 million decrease in radio selling, general and administrative expenses. The decrease from this segment was primarily attributable to a decrease in selling, general and administrative expenses of $2.4 million from our San Francisco/San Jose, Tucson and Dallas radio stations that we sold, partially offset by increased wages and insurance expense. As a percentage of net revenue, selling, general and administrative expenses remained constant at 18% for the years ended December 31, 2006 and 2005.

We currently anticipate that our selling, general and administrative expenses will continue to increase. However, we expect that net revenue increases will outpace selling, general and administrative expense increases such that selling, general and administrative expenses as a percentage of net revenue will remain constant or decrease in future periods.

Corporate Expenses. Corporate expenses increased to $18.9 million for the year ended December 31, 2006 from $17.5 million for the year ended December 31, 2005, an increase of $1.4 million. The increase was primarily attributable to increased non-cash stock-based compensation of $0.8 million. The remaining increase was primarily attributable to higher professional fees and salaries. As a percentage of net revenue, corporate expenses remained constant at 6% for each of the years ended December 31, 2006 and 2005.

We currently anticipate that our corporate expenses will continue to increase, primarily due to recording non-cash stock-based compensation in corporate expense to comply with Statement of Financial Accounting Standards (SFAS) No. 123 (Revised 2004), Share-Based Payment (SFAS No. 123R). However, we expect that net revenue increases will outpace corporate expense increases such that corporate expenses as a percentage of net revenue will remain constant or decrease in future periods.

Gain (Loss) on Sale of Assets. The gain on sale of assets was $26.2 million for the year ended December 31, 2006. The gain was primarily attributable to the gain on sale of the radio assets in the San Francisco/San Jose, Tucson and Dallas markets.

Depreciation and Amortization. Depreciation and amortization decreased to $44.7 million for the year ended December 31, 2006 from $46.4 million for the year ended December 31, 2005, a decrease of $1.7 million. The decrease for the year ended December 31, 2006 was primarily attributable to lower depreciation and amortization due to the sale of the radio assets in the San Francisco/San Jose, Tucson and Dallas markets.

Impairment Charge: The impairment charge of $189.7 million for the year ended December 31, 2006 was a result of a $156.2 million impairment of goodwill in our radio segment and a $33.5 million impairment of our radio FCC licenses.

Operating Income. As a result of the above factors, operating loss was $110.1 million for the year ended December 31, 2006, compared to operating income of $45.0 million for the year ended December 31, 2005.

Interest Expense. Interest expense decreased to $29.4 million for the year ended December 31, 2006 from $29.8 million for the year ended December 31, 2005, a decrease of $0.4 million. The decrease was primarily attributable to the increase in the fair value of our interest rate swap agreements, resulting in an overall decrease of $1.0 million of interest expense, partially offset by an increase of interest expense attributable to higher debt outstanding.

Income Tax Expense. Our expected tax rate is approximately 39% of pre-tax income or loss, adjusted for permanent tax differences. The tax benefit was less than the expected 39% of the pre-tax loss because of state income taxes and non-deductible expenses, including goodwill impairment, non-cash stock-based compensation and meals and entertainment. We currently have net operating loss carryforwards of approximately $77.2 million available to offset future taxable income through the year 2025 that we expect will be utilized prior to their expiration.

Table of Contents

Segment Operations

Television

Net Revenue. Net revenue in our television segment increased to $158.5 million for the year ended December 31, 2006 from $146.2 million for the year ended December 31, 2005, an increase of $12.3 million. The overall increase was primarily attributable to an increase in both local and national advertising sales, primarily due to an increase in advertising rates, partially attributable to World Cup and political advertising.

We currently anticipate that the general demand for our inventory will increase in future periods. However, we would need to overcome strong 2006 revenue comparables from such major events as World Cup and political activity in both the U.S. and Mexico if we are to match the rate of revenue increase we experienced in 2006. We cannot give any assurance that sustaining such rate of increased revenue growth in 2007 is achievable.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $61.6 million for the year ended December 31, 2006 from $58.4 million for the year ended December 31, 2005, an increase of $3.2 million. The increase was primarily attributable to an increase in national representation fees and other sales expenses associated with the increase in net revenue and an increase in syndicated programming expense, partially offset by reduced expenses in accordance with the terms of an amendment to our marketing and sales agreement with Univision.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment increased to $23.9 million for the year ended December 31, 2006 from $22.5 million for the year ended December 31, 2005, an increase of $1.4 million. The increase was primarily attributable to an increase in bad debt expense, an increase in insurance, and increased non-cash stock-based compensation of $0.6 million, partially offset by reduced expenses in accordance with the terms of an amendment to our marketing and sales agreement with Univision.

Radio

Net Revenue. Net revenue in our radio segment decreased to $96.7 million for the year ended December 31, 2006 from $100.6 million for the year ended December 31, 2005, a decrease of $3.9 million. Excluding the 2006 and 2005 net revenue contributed by our radio stations in the San Francisco/San Jose, Tucson and Dallas markets that we sold in 2006, net revenue would have increased by $5.8 million during the year ended December 31, 2006. The decrease was primarily attributable to a decrease in net revenue of $9.7 million from our San Francisco/San Jose, Tucson and Dallas radio stations that we sold, partially offset by an increase in inventory sold and advertising rates. Additionally, there has been a general slowing of growth in the radio industry over recent quarters, and we expect that this will continue. However, we expect to continue to outperform the general radio industry in future periods.

Direct Operating Expenses. Direct operating expenses in our radio segment decreased to $36.7 million for the year ended December 31, 2006 from $37.8 million for the year ended December 31, 2005, a decrease of $1.1 million. Excluding the 2006 and 2005 direct operating expenses incurred by our radio stations in the San Francisco/San Jose, Tucson and Dallas markets that we sold in 2006, direct operating expenses would have increased by $2.3 million during the year ended December 31, 2006. The decrease was primarily attributable to a decrease in direct operating expenses of $3.5 million from our San Francisco/San Jose, Tucson and Dallas radio stations that we sold, partially offset by an increase in commissions and other sales-related expenses of the other radio stations.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment decreased to $22.4 million for the year ended December 31, 2006 from $24.3 million for the year ended December 31, 2005, a decrease of $1.9 million. Excluding the 2006 and 2005 selling, general and administrative expenses incurred by our radio stations in the San Francisco/San Jose, Tucson and Dallas markets that we sold in

2006, selling, general and administrative expenses would have increased by $0.3 million during the year ended December 31, 2006. The decrease was primarily attributable to a decrease in selling, general and administrative expenses of $2.4 million from our San Francisco/San Jose, Tucson and Dallas radio stations that we sold, partially offset by increased wages and insurance expense.

Outdoor

Net Revenue. Net revenue in our outdoor segment increased to $36.6 million for the year ended December 31, 2006 from $34.2 million for the year ended December 31, 2005, an increase of $2.4 million. The increase was primarily attributable to revenue associated with the expansion of our outdoor division in Tampa and Sacramento, as well as an increase in local advertising sales.

Direct Operating Expenses. Direct operating expenses in our outdoor segment increased to $ 25.5 million for the year ended December 31, 2006 from $ 24.1 million for the year ended December 31, 2005, an increase of $1.4 million. The increase was primarily attributable to higher lease rents for our billboard locations and expenses associated with the expansion of our outdoor division in Tampa and Sacramento.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our outdoor segment increased to $5.7 million for the year ended December 31, 2006 from $4.9 million for the year ended December 31, 2005, an increase of $0.8 million. The increase was primarily attributable to expenses associated with the expansion of our outdoor division in Tampa and Sacramento.

As a result of Rule 49 of the City of New York regulating outdoor advertising companies becoming effective in August 2006, we may be required to remove advertising from some of our advertising faces. Other outdoor advertising companies operating in the New York market have filed lawsuits challenging the constitutionality of Rule 49. We do not expect Rule 49 as currently enacted, if it survives the challenge, to have a material adverse effect on our segment operating profit (loss) in the foreseeable future.

Year Ended December 31, 2005 Compared to Year Ended December 31, 2004

Consolidated Operations

Net Revenue. Net revenue increased to $281.0 million for the year ended December 31, 2005 from $259.1 million for the year ended December 31, 2004, an increase of $21.9 million. Of the overall increase, $10.3 million came from our television segment. The increase from this segment was primarily attributable to an increase in local and national advertising sales, primarily attributable to increased advertising sold (referred to as inventory in our industry). Additionally, $8.3 million of the overall increase came from our radio segment. The increase from this segment was primarily attributable to an increase in local advertising rates, as well as revenue associated with radio station KBMB-FM acquired in the second half of 2004 and radio station KDLD-FM/KDLE-FM. The remaining $3.3 million of the overall increase came from our outdoor segment and was primarily attributable to an increase in both local and national advertising rates, as well as revenue associated with the expansion of our outdoor division in Sacramento.

Direct Operating Expenses. Direct operating expenses increased to $120.3 million for the year ended December 31, 2005 from $112.6 million for the year ended December 31, 2004, an increase of $7.7 million. Of the overall increase, $2.9 million came from our television segment. The increase from this segment was primarily attributable to an increase in national representation fees and commissions associated with the increase in net revenue, an increase in the cost of ratings services and an increase in salaries due to the addition or expansion of newscasts in the San Diego, Santa Barbara and Boston markets. Additionally, $2.6 million of the overall increase came from our radio segment. The increase from this segment was primarily attributable to an increase in expenses associated with radio station KBMB-FM acquired in the second half of 2004 and radio station KDLD-FM/KDLE-FM. The overall increase also came from an increase in outdoor direct operating expenses, which accounted for $2.2 million of the overall increase. This increase in the outdoor segment was primarily attributable to higher lease rents for our billboard locations and expenses associated with the expansion of our outdoor division in Sacramento. As a percentage of net revenue, direct operating expenses remained the same at 43% for each of the years ended December 31, 2005 and 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased to $51.8 million for the year ended December 31, 2005 from $49.8 million for the year ended December 31, 2004, an increase of $2.0 million. The overall increase came mainly from our television segment, which accounted for an increase of $1.3 million. The increase from this segment was primarily attributable to a one-time recovery of expenses of $1.0 million in 2004 in accordance with the terms of an amendment to our TeleFutura marketing and sales agreement with Univision, as well as increased non-cash stock-based compensation expense of $0.2 million. Additionally, $0.7 million of the overall increase came from our radio segment. The increase from this segment was primarily attributable to expenses associated with radio station KBMB-FM acquired in the second half of 2004 and radio station KDLD-FM/KDLE-FM. As a percentage of net revenue, selling, general and administrative expenses decreased to 18% for the year ended December 31, 2005 from 19% for the year ended December 31, 2004. Selling, general and administrative expenses as a percentage of net revenue decreased because selling, general and administrative expenses increases were outpaced by increases in net revenue.

Corporate Expenses. Corporate expenses increased to $17.5 million for the year ended December 31, 2005 from $16.9 million for the year ended December 31, 2004, an increase of $0.6 million. The increase was primarily attributable to an increase in non-cash stock-based compensation of $0.7 million. As a percentage of net revenue, corporate expenses decreased to 6% for the year ended December 31, 2005 from 7% for the year ended December 31, 2004. Corporate expenses as a percentage of net revenue decreased because corporate expense increases were outpaced by increases in net revenue.

Gain (Loss) on Sale of Assets. The gain on sale of assets was $3.5 million for the year ended December 31, 2004. The gain was primarily due to the sale of the assets of our radio stations in the Chicago, Illinois and Fresno, California markets.

Depreciation and Amortization. Depreciation and amortization increased to $46.4 million for the year ended December 31, 2005 from $42.8 million for the year ended December 31, 2004, an increase of $3.6 million. The increase was primarily attributable to additional depreciation on digital capital expenditures, additional depreciation and amortization relating to the acquisition of radio station KBMB-FM in the second half of 2004 and higher depreciation on certain billboards to be abandoned in New York in 2006.

Operating Income. As a result of the above factors, operating income increased to $45.0 million for the year ended December 31, 2005 from $40.5 million for the year ended December 31, 2004, an increase of $4.5 million.

Interest Expense. Interest expense increased to $29.8 million for the year ended December 31, 2005 from $28.3 million for the year ended December 31, 2004, an increase of $1.5 million. The increase was primarily attributable to additional borrowings under our syndicated bank credit facility to finance the repurchase of all of our Series A mandatorily redeemable convertible preferred stock during the third quarter of 2004, partially offset by a $3.8 million reduction related to the increase in fair value of our interest rate swap agreements in 2005.

Loss on debt extinguishment. Loss on debt extinguishment was $28.0 million for the year ended December 31, 2005. The loss on debt extinguishment was primarily attributable to the premium that we paid upon the completion of the tender for our $225 million senior subordinated notes, the write-off of the costs associated with those notes, the write-off of the costs associated with our former $400 million syndicated bank credit facility and a charge for a portion of the fees associated with our new $650 million syndicated bank credit facility.

Income Tax Expense. Our expected tax rate is approximately 40% of pre-tax income or loss, adjusted for permanent tax differences. The tax benefit was less than the expected 40% of the pre-tax loss because of state income taxes and non-deductible expenses, including the expected disallowance of state net operating loss carryforward amounts and meals and entertainment. We currently have net operating loss carryforwards of approximately $166 million available to offset future taxable income through the year 2025 that we expect will be utilized prior to their expiration.

Income (Loss) Before Discontinued Operations. As a result of the above factors, loss before discontinued operations was $9.7 million for the year ended December 31, 2005, compared to income before discontinued operations of $5.6 million for the year ended December 31, 2004.

Gain on Disposal of Discontinued Operations, Net of Tax. In July 2003, we sold substantially all of the assets and certain specified liabilities related to our publishing segment. That sale resulted in a gain on disposal of discontinued operations, net of tax, of $9.3 million for the year ended December 31, 2003. During 2004, we finalized the purchase price adjustment for the sale, which was based on the working capital of the publishing segment as of the closing date. This working capital adjustment resulted in cash received and an additional gain on disposal of discontinued operations, net of tax, of $0.5 million for the year ended December 31, 2004.

Segment Operations

Television

Net Revenue. Net revenue in our television segment increased to $146.2 million for the year ended December 31, 2005 from $135.9 million for the year ended December 31, 2004, an increase of $10.3 million. Of the overall increase, $8.3 million was attributable to our Univision stations and $2.0 million was attributable to our other stations. The overall increase was attributable to an increase in both local and national advertising sales, primarily due to an increase in inventory sold.

Direct Operating Expenses. Direct operating expenses in our television segment increased to $58.4 million for the year ended December 31, 2005 from $55.5 million for the year ended December 31, 2004, an increase of $2.9 million. The increase was primarily attributable to an increase in national representation fees and commissions associated with the increase in net revenue, an increase in the cost of ratings services and an increase in salaries due to the addition or expansion of newscasts in the San Diego, Santa Barbara and Boston markets.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our television segment increased to $22.5 million for the year ended December 31, 2005 from $21.2 million for the year ended December 31, 2004, an increase of $1.3 million. The increase was primarily attributable to a one-time recovery of expenses of $1.0 million in 2004 in accordance with the terms of an amendment to our TeleFutura marketing and sales agreement with Univision, as well as increased non-cash stock-based compensation of $0.2 million.

Radio

Net Revenue. Net revenue in our radio segment increased to $100.6 million for the year ended December 31, 2005 from $92.2 million for the year ended December 31, 2004, an increase of $8.4 million. The increase was primarily attributable to an increase in local advertising rates, as well as revenue associated with a full year of operations in 2005 of both radio stations KBMB-FM, acquired in the second half of 2004, and

KDLD-FM/KDLE-FM, which we began operating in the second quarter of 2004.

Direct Operating Expenses. Direct operating expenses in our radio segment increased to $37.8 million for the year ended December 31, 2005 from $35.2 million for the year ended December 31, 2004, an increase of $2.6 million. The increase was primarily attributable to expenses associated with a full year of operations in 2005 of both radio stations KBMB-FM, acquired in the second half of 2004, and KDLD-FM/KDLE-FM, which we began operating in the second quarter of 2004.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our radio segment increased to $24.3 million for the year ended December 31, 2005 from $23.6 million for the year ended December 31, 2004, an increase of $0.7 million. The increase was primarily attributable to expenses associated with a full year of operations in 2005 of both radio stations KBMB-FM, acquired in the second half of 2004, and KDLD-FM/KDLE-FM, which we began operating in the second quarter of 2004.

Outdoor

Net Revenue. Net revenue in our outdoor segment increased to $34.2 million for the year ended December 31, 2005 from $30.9 million for the year ended December 31, 2004, an increase of $3.3 million. The increase was primarily attributable to an increase in both local and national advertising rates, as well as revenue associated with the expansion of our outdoor division in Sacramento.

Direct Operating Expenses. Direct operating expenses in our outdoor segment increased to $24.1 million for the year ended December 31, 2005 from $21.9 million for the year ended December 31, 2004, an increase of $2.2 million. The increase was primarily attributable to higher lease rents for our billboard locations and expenses associated with the expansion of our outdoor division in Sacramento.

Selling, General and Administrative Expenses. Selling, general and administrative expenses in our outdoor segment decreased to $4.9 million for the year ended December 31, 2005 from $5.0 million for the year ended December 31, 2004, a decrease of $0.1 million. The decrease was primarily attributable to severance amounts paid to the former president of our outdoor division in 2004, partially offset by additional expenses associated with the expansion of our outdoor division in Sacramento.

Liquidity and Capital Resources

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

In January 2006, we acquired approximately 12.6 million shares of our Class U common stock held by Univision in exchange for the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market.

In March 2006, we repurchased seven million shares of our Class U common stock held by Univision for $51.1 million using cash generated from operations and unrestricted proceeds which were remaining from our refinanced syndicated bank credit facility.

On November 1, 2006, our Board of Directors approved a stock repurchase program. We are authorized to repurchase up to $100 million of our outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private repurchases. The extent and timing of any repurchases will depend on market conditions and other factors. We intend to finance stock repurchases, if and when made, with available cash on hand and cash provided by operations. As of December 31, 2006, we had repurchased approximately 1.2 million shares at an average price of $7.42 for an aggregate purchase price of approximately $8.8 million.

Table of Contents

Syndicated Bank Credit Facility

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

The term loan matures in 2013 and is subject to automatic quarterly reductions of $1.25 million starting on January 1, 2006. The revolving facility expires in 2012. Our ability to make additional borrowings under the syndicated bank credit facility is subject to compliance with certain financial covenants, including financial ratios, and other conditions set forth in the syndicated bank credit facility.

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

Our term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 6.86% at December 31, 2006. As of December 31, 2006, $492.5 million of our term loan was outstanding. As of December 31, 2006, we had three interest rate swap agreements with a $448 million aggregate notional amount, that convert a portion of our variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. See also the section entitled Derivative Instruments below.

Our revolving facility bears interest at LIBOR plus a margin ranging from 1% to 2% based on our leverage covenants. As of December 31, 2006, we had approximately $2 million in outstanding letters of credit and $148 million was available under our revolving facility for future borrowings. In addition, we pay a quarterly unused commitment fee ranging from 0.25% to 0.50% per annum, depending on the level of facility used.

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

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

Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The covenants become increasingly restrictive in the later years of the syndicated bank credit facility. Our syndicated bank credit facility also requires us to maintain our FCC licenses for our broadcast properties and contains restrictions on the incurrence of additional debt, the payment of dividends, the making of acquisitions and the sale of assets over a certain limit. Additionally, we entered into three interest rate swap agreements because our leverage exceeded certain limits. See also the section entitled Derivative Instruments below.

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

Derivative Instruments

As of December 31, 2006, we had three interest rate swap agreements with a $448 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010. These interest rate swap agreements convert a portion of our variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. It is expected that as the notional amount of the interest rate swap agreements declines, the term loan amounts will continue to exceed the notional amount of the interest rate swap agreements. The excess loan amount outstanding over the notional amount of the interest rate swap agreements will incur interest at LIBOR plus 1.50%. As of December 31, 2006, these interest rate swap agreements were not designated for hedge accounting treatment under the provisions of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and as a result, changes in their fair values are reflected currently in earnings. As of December 31, 2006, the fair value of the interest rate swap agreements was $6.1 million and is classified as other assets on our balance sheet. For the year ended December 31, 2006, we recognized a reduction of $2.4 million of interest expense related to the increase in fair value of the interest rate swap agreements.

In February 2007, we entered into an additional interest rate swap agreement with a $63 million aggregate notional amount, with quarterly increases, that expires on October 1, 2010. This interest rate swap agreement converts a portion of our variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. The quarterly increases of this swap agreement match the quarterly reductions of the three previous interest rate swap agreements. Therefore, it is expected that the term loan amounts will not exceed the notional amount of the four interest rate swap agreements. This interest rate swap agreement will not be designated for hedge accounting treatment under the provisions of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and as a result, changes in the fair values will be reflected in earnings as a component of interest expense.

Debt and Equity Financing

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

On November 1, 2006, our Board of Directors approved a stock repurchase program. We are authorized to repurchase up to $100 million of our outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private repurchases. The extent and timing of any repurchases will depend on market conditions and other factors. We intend to finance stock repurchases, if and when made, with available cash on hand and cash provided by operations. As of December 31, 2006, we had repurchased approximately 1.2 million shares at an average price of $7.42 for an aggregate purchase price of approximately $8.8 million.

Consolidated Adjusted EBITDA

Consolidated adjusted EBITDA (as defined below) increased to $100.1 million for the year ended December 31, 2006 from $92.5 million for the year ended December 31, 2005, an increase of $7.6 million, or 8%. As a percentage of net revenue, consolidated adjusted EBITDA increased to 34% for the year ended December 31, 2006 from 33% for the year ended December 31, 2005.

We currently anticipate that consolidated adjusted EBITDA will continue to increase in future periods as we believe that net revenue increases will continue to outpace increases in direct operating, selling, general and administrative and corporate expenses.

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

Since our ability to borrow from our syndicated bank credit facility is based on a consolidated adjusted EBITDA financial covenant, we believe that it is important to disclose consolidated adjusted EBITDA to our investors. Our syndicated bank credit facility contains certain financial covenants relating to maximum net debt ratio, senior debt ratio, maximum capital expenditures and fixed charge coverage ratio. The maximum net debt ratio, or the ratio of consolidated total debt minus cash, up to a maximum of $20 million, to consolidated adjusted EBITDA, affects our ability to borrow from our syndicated bank credit facility. Under our syndicated bank credit facility, our maximum net debt ratio may not exceed 7.25 to 1 on a pro forma basis for the prior full four quarters. The actual maximum net debt ratios were as follows (in each case as of December 31): 2006, 4.9 to 1; 2005 5.3 to 1; 2004 5.8 to 1. Therefore, we were in compliance with this covenant at each of those dates. We entered into our new syndicated bank credit facility in September 2005, so we were not subject to the same calculations and covenants in prior years. However, for consistency of presentation, the foregoing historical ratios assume that our current definition had been applicable for all periods presented. The maximum net debt ratio also affects the interest rate charged for revolving loans, thus affecting our interest expense.

While many in the financial community and we consider consolidated adjusted EBITDA to be important, it should be considered in addition to, but not as a substitute for or superior to, other measures of liquidity and financial performance prepared in accordance with accounting principles generally accepted in the United States of America, such as cash flows from operating activities, operating income and net income. As consolidated adjusted EBITDA excludes non-cash (gain) loss on sale of assets, non-cash depreciation and amortization, non-cash impairment loss, non-cash stock-based compensation awards, non-cash corporate expense 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 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 44.

Cash Flow

Net cash flow provided by operating activities increased to $62.0 million for the year ended December 31, 2006 from $35.9 million for the year ended December 31, 2005. Although we had a net loss of $134.6 million for the year ended December 31, 2006, we had positive cash flow from operations. Our net loss was primarily a result of non-cash expenses, including impairment charges of $189.7 million and depreciation and amortization of $44.7 million. The increase in net cash flow provided by operating activities was primarily due to higher revenue of $10.8 million, partially offset by higher operating expenses. We expect to continue to have positive cash flow from operating activities for the year 2007.

For the year ended December 31, 2006, net cash flow provided by investing activities was $57.1 million, whereas for the year ended December 31, 2005, net cash flow used in investing activities was $40.9 million. During the year ended

December 31, 2006, we sold the assets of radio stations in the Tucson, Arizona market and the Dallas, Texas market for $96.3 million. We spent $40.5 million on net capital expenditures and acquisition of intangibles and collected $1.3 million on a note receivable. We plan to use some of the proceeds for capital expenditures and future acquisitions.

For the year ended December 31, 2006, net cash flow used in financing activities was $66.2 million, whereas for the year ended December 31, 2005, net cash flow provided by financing activities was $23.6 million. During the year ended December 31, 2006, we paid $52.5 million to repurchase 7.0 million shares of our Class U common stock from Univision and paid approximately $8.8 million to repurchase 1.2 million shares of our Class A common stock under our stock repurchase program. We made net debt payments of $8.8 million and received net proceeds of $3.9 million from the exercise of stock options and from the sale of shares issued under our 2001 Employee Stock Purchase Plan. We plan to continue to repurchase our Class A common stock from time to time in future periods in open market transactions at prevailing market prices, block trades or private repurchases.

During 2007, we anticipate that our maintenance capital expenditures will be approximately $10 million. In addition to our maintenance capital expenditures, we anticipate that our digital capital expenditures will be approximately $6 million. We anticipate paying for these capital expenditures out of net cash flow from operations.

As part of the transition from analog to digital television service, full-service television station owners are required, as a result of legislation that went into effect in early 2006, to discontinue broadcasting analog signals and to relinquish one of their paired analog-digital channels to the FCC on February 17, 2009. We currently expect the cost to complete construction of digital television facilities for our remaining full-service television stations, for which we have sought waivers from the FCC, will be approximately $4.2 million. In addition, we have elected to continue to broadcast separate digital and analog signals throughout this transition period. We currently anticipate that the incremental costs of broadcasting in digital and analog, including additional rent and higher electricity expense, will be approximately $860,000 in 2007. We intend to finance the conversion to digital television by using net cash flow from operations.

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

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

Commitments and Contractual Obligations

We have agreements with certain media research and ratings providers, expiring at various dates through December 2011, to provide television and radio audience measurement services. We lease facilities and broadcast equipment under various operating lease agreements with various terms and conditions, expiring at various dates through November 2050.

Our material contractual obligations at December 31, 2006 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**
Syndicated bank credit facility and other borrowings	$ 497,769	$ 3,696	$ 12,073	$ 12,000	$ 470,000
Media research and ratings providers (1)	39,474	8,882	18,054	12,538	
Operating leases and other material contractual obligations (1) (2)	76,984	11,894	18,534	13,282	33,274
Total contractual obligations	$ 614,227	$ 24,472	$ 48,661	$ 37,820	$ 503,274

(1) Does not include month-to-month leases.
(2) Does not include estimated contractual obligations of interest expense. Please refer to Syndicated Bank Credit Facility above for interest terms.

We have also entered into employment agreements with certain of our key employees, including Walter F. Ulloa, Philip C. Wilkinson, Jeffery A. Liberman, John F. DeLorenzo 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, employment contracts for key employees and the interest rate swap agreements described more fully in Item 7A below, 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.

Other

On April 4, 2001, our Board of Directors adopted the 2001 Employee Stock Purchase Plan. Our stockholders approved the Employee Stock Purchase Plan on May 10, 2001 at our 2001 Annual Meeting of Stockholders. Subject to adjustments in our capital structure, as defined in the Employee Stock Purchase Plan, the maximum number of shares of our Class A common stock that will be made available for sale under the Employee Stock Purchase Plan is 0.6 million, plus an annual increase of up to 0.6 million shares on the first day of each of the ten calendar years beginning on January 1, 2002. All of our employees are eligible to participate in the Employee Stock Purchase Plan, provided that they have completed six months of continuous service as employees as of an offering date. There are two offering periods annually under the Employee

Stock Purchase Plan, one which commences on February 15 and concludes on August 14, and the other which commences on August 15 and concludes on the following February 14. Since the inception of the Employee Stock Purchase Plan through December 31, 2006, approximately 0.6 million shares have been purchased.

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. The following are our critical accounting policies:

Goodwill and Indefinite Life Intangible Assets

Effective January 1, 2002 we adopted the provisions of SFAS No. 142, Goodwill and Other Intangible Assets, and determined each of our operating segments to be a reporting unit. Upon adoption, we assigned all of our assets and liabilities to our reporting units and ceased amortizing goodwill and our indefinite life intangible assets. We believe that our broadcast licenses are indefinite life intangible assets.

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 and indefinite life intangible assets are tested annually 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.

Assumptions about future revenue and cash flows require significant judgment because of the current state of the economy and the fluctuation of actual revenue and the timing of expenses. We develop future revenue estimates based on projected ratings increases, planned timing of signal strength upgrades, planned timing of promotional events, customer commitments and available advertising time. Estimates of future cash flows assume that expenses will grow at rates consistent with historical rates. Alternatively, some stations under evaluation have had limited relevant cash flow history due to planned conversion of format or upgrade of station signal. The assumptions about cash flows after conversion reflect estimates of how these stations are expected to perform based on similar stations and markets and possible proceeds from the sale of the assets. If the expected cash flows are not realized, impairment losses may be recorded in the future.

For goodwill, the impairment evaluation includes a comparison of the carrying value of each reporting unit (including goodwill) to that reporting unit s fair value. If the reporting unit s estimated fair value exceeds the reporting unit s carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit s carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit s goodwill, an impairment charge is recorded for the difference.

The impairment evaluation 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. 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 our future cash flows. In addition, we evaluate annually and when triggering events occur, the remaining useful life of an intangible asset that is not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

Table of Contents

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. We have recorded a $27.3 million tax benefit for net operating losses that are expected to offset future taxable income. Our net operating loss benefits will expire from 2022 to 2025. In order to realize the value of those assets, we would need to generate an aggregate of approximately $77.2 million of taxable income prior to their expiration. We currently estimate that we will recognize adequate taxable income over the next five to ten years sufficient to realize the value of these assets. 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. In evaluating the need for a valuation allowance, we consider future taxable income and prudent and feasible tax planning strategies. If we determine that we would not be able to realize all or part of our deferred tax assets in the future, an adjustment to the carrying value of the deferred tax assets would be charged to income in the period in which such determination is made.

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue for outdoor advertising space is recognized ratably over the term of the contract, which is typically less than 12 months. Revenue contracts with advertising agencies are recorded at an amount that is net of the commission retained by the agency. Revenue from contacts 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.

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.

Table of Contents

Derivative Instruments

SFAS No. 133 requires us to recognize all of our derivative instruments as either assets or liabilities in our consolidated balance sheet at fair value. The accounting for changes in the fair value of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship, and further, on the type of hedging relationship. As of December 31, 2006, we had three interest rate swap agreements with a $448 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010. As of December 31, 2006, these interest rate swap agreements were not designated for hedge accounting treatment under SFAS No. 133, and as a result, the increase in fair value is classified as a reduction of interest expense on our statements of operations. For the year ended December 31, 2006, we recognized a reduction of $2.4 million in interest expense related to the increase in fair value of the interest rate swap agreements.

Additional Information

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

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No. 48, Accounting for Uncertainty in Income Taxes , (FIN 48). The interpretation requires that we recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. We are currently evaluating the impact of adopting FIN 48 on our financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), Fair Value Measurements, which establishes a framework for reporting fair value and expands disclosures about fair value measurements. SFAS 157 is effective beginning in the first quarter of 2008. We are currently evaluating the impact of adopting SFAS 157 on our financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 (SAB 108), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that we quantify misstatements based on their impact on each of the financial statements and related disclosures. SAB 108 is effective as of the end of fiscal year 2006, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108. The adoption of SAB 108 did not have a material impact on our financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities, which permits entities to measure eligible financial instruments, commitments and certain other arrangements at fair value, at specified election dates with changes in fair value recognized in earnings at each subsequent reporting period. SFAS 159 is effective beginning in the first quarter of 2008. We are currently evaluating the impact of adopting SFAS 159 on our financial statements.

Sensitivity of Critical Accounting Estimates

We have critical accounting estimates that are sensitive to change. The most significant of those sensitive estimates relate to the impairment of intangible assets. Goodwill and indefinite life intangible assets are not amortized but are tested annually on October 1 for impairment, or more frequently if events or changes in circumstances indicate that the assets might be impaired. In assessing the recoverability of goodwill and

Table of Contents

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

We conducted a valuation of our television reporting unit in 2002 and determined that the fair value of the television reporting unit exceeded the carrying value by approximately $256 million, which we believed was a significant difference. Our performance has since been consistent with the projections in the valuation. Additionally, our television reporting unit has not changed dramatically since the valuation. Since our operating results have been consistent with the projections and our television reporting unit has not changed materially, we believe that the fair value of our television reporting unit still exceeds the carrying value and we do not have any impairment.

Radio

In the letter of Intent issued in accordance with the sale of certain of the Dallas radio assets, including FCC licenses, the expected sales price was less than the carrying value, which indicated that other radio assets might be impaired. As a result of the sale of the Dallas radio assets, we engaged an independent appraiser experienced in valuing radio broadcast properties to conduct an appraisal of the fair value of our radio reporting unit as of June 30, 2006. The valuation of the fair value of the radio reporting unit was primarily determined by evaluating discounted cash flow models for the reporting unit. The assumptions in the models were based on the reporting unit s projected ability to generate cash flows in various cities or nearby cities, which we refer to as market clusters, based on signal coverage of the markets and on the reporting unit s actual historical results and expected future cash flows in each market cluster. In order to corroborate the fair market value estimated by the discounted cash flow analysis, the valuation considered recent comparable sales. Based on the assumptions and projections, the radio reporting unit s fair value was less than its carrying value. In accordance with the provisions of SFAS No. 142 Goodwill and Other Intangible Assets (SFAS 142), the Company recognized impairment losses of $156.2 million relating to goodwill and $33.5 million relating to FCC licenses in the Dallas and Denver markets in the second quarter of 2006.

The impairment of goodwill and the impairment of the Denver FCC licenses were primarily related to a general slowing of growth in the radio industry over recent quarters. The impairment of the Dallas FCC licenses was primarily related to increased competition and a general slowing of growth in the radio industry over recent quarters resulting in the write-down of our assets in the Dallas market to fair value prior to their sale in November 2006.

In calculating the estimated fair value of our radio reporting unit, the appraisal used discounted cash flow models that rely on various assumptions, such as future cash flows, discount rates and multiples. Our estimates of future cash flows assume that our radio segment revenues will increase significantly faster than the increase in our radio expenses, and therefore our 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.

Outdoor

We engaged an independent appraiser experienced in valuing advertising properties to conduct an appraisal of the fair value of our outdoor reporting unit in accordance with our annual impairment testing. The appraiser relied primarily on a discounted cash flow model for its valuation and confirmed their valuation with an analysis of comparable sales. As a result of that valuation we believed that the estimated fair value of the outdoor reporting unit was below its carrying value by $10 million, suggesting potential impairment. Since we had an indicator of potential impairment, as required under SFAS No. 142 we allocated the fair value of the entire outdoor reporting unit among its identifiable assets, which consist primarily of fixed assets, customer list and goodwill. After allocating the estimated fair value to the components, the implied fair value of the goodwill component exceeded its carrying value, so we determined that there is no impairment of goodwill.

We then evaluated the fixed assets and customer list of our outdoor reporting unit in accordance with SFAS No. 144, as they are classified as long-lived assets. As required under SFAS No. 144, we compared the outdoor reporting unit s undiscounted cash flows to the carrying value of all of the reporting unit s assets. We determined that the sum of its projected undiscounted cash flows, including the estimated value of our billboards, exceeded the carrying value of the reporting unit s assets, resulting in the recovery of its value and no impairment of the long-lived assets.

In calculating the estimated fair value of our outdoor reporting unit, the appraisal used a discounted cash flow model that relies on various assumptions, such as future cash flows, discount rates and multiples. Our estimates of future cash flows assume that we will significantly increase our outdoor revenues as compared with our outdoor expenses, and therefore our billboards will also increase in value. If those 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 expense for impairment.

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, 2006. However, there can be no assurance that future inflation would not have an adverse impact on our operating results and financial condition.

Off-Balance Sheet Arrangements

We have entered into three interest rate swap agreements, and an additional interest rate swap agreement in February 2007, described more fully in Item 7A below. We have an affiliation agreement with Telemundo that grants Telemundo a 20% interest in the appreciation of XHAS-TV above $31 million, plus capital expenditures and certain other adjustments, upon certain liquidity events as defined in the agreements. We do 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. Except for the items discussed above, we do not have any off-balance sheet financing arrangements or liabilities other than lease commitments, legal contingencies incurred in the normal course of business and employment contracts for key employees.

The carrying amount of our interest rate swap agreements are recorded at fair market value and any changes to the value are recorded as an increase or decrease in interest expense. The fair market value of each interest rate swap agreement is determined by estimating the future discounted cash flows of any future payments that may be made under such agreement.

We converted a portion of our variable rate term loan into a fixed rate obligation at September 30, 2005. In February 2007, we entered into an additional interest rate swap agreement, as a result of which we do not expect that our term loan amounts will exceed the notional amounts of the interest rate swap agreements. If the future interest yield curve decreases, the fair value of the interest rate swap agreements will decrease and interest expense will increase. If the future interest yield curve increases, the fair value of the interest rate swap agreements will increase and interest expense will decrease.

ITEM 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 variable rate debt. However, as of February 2007, we have four swap arrangements that convert the entire amount of our variable rate term loan into a fixed rate obligation. Under our syndicated bank credit facility, if we exceed certain leverage ratios we would be required to enter into derivative financial instrument transactions, such as swaps or interest rate caps, in order to manage or reduce our exposure to risk from changes in interest rates. Under no circumstances do we enter into derivatives or other financial instrument transactions for speculative purposes.

Table of Contents

Interest Rates

Our term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 6.86% at December 31, 2006. As of December 31, 2006, $492.5 million of our term loan was outstanding. Our revolving facility bears interest at LIBOR plus a margin ranging from 1% to 2% based on our leverage. As of December 31, 2006, we had approximately $2 million in outstanding letters of credit and $148 million was available under the revolving facility for future borrowings. Our syndicated bank credit facility requires us to enter into interest rate agreements if our leverage exceeds certain limits as defined in our credit agreement.

As of December 31, 2006, we had three interest rate swap agreements with a $448 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010. These swap agreements convert a portion of our variable rate term loan into a fixed rate obligation of 5.96%, which includes a margin of 1.50%. We expect that as the notional amount of the interest rate swap agreements declines, our term loan amounts will continue to exceed the notional amount of our interest rate swap agreements. The excess loan amount outstanding over the notional amount of the interest rate swap agreements will incur interest at LIBOR plus 1.50%. As of December 31, 2006, these interest rate swap agreements were not designated for hedge accounting treatment under SFAS 133, and as a result, changes in their fair values are reflected currently in earnings. At December 31, 2006, the fair value of the interest rate swap agreements was $6.1 million and is classified as other assets on our balance sheet.

In February 2007, we entered into an additional interest rate swap agreement with a $63 million aggregate notional amount, with quarterly increases, that expires on October 1, 2010. This interest rate swap agreement converts a portion of our variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. The quarterly increases of this swap agreement match the quarterly reductions of the three previous interest rate swap agreements. Therefore, it is expected that the term loan amounts will not exceed the notional amount of the four interest rate swap agreements. This interest rate swap agreement will not be designated for hedge accounting treatment under the provisions of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and as a result, changes in the fair values will be reflected in earnings.

SFAS 133 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. As of December 31, 2006, our interest rate swap agreements were not designated for hedge accounting treatment under SFAS 133, and as a result, the fair value is classified as other assets on the our balance sheet and as a reduction of interest expense on our statements of operations. For the year ended December 31, 2006, we recognized a reduction of $2.4 million of interest expense related to the increase in fair value of the interest rate swap agreements.

We converted a portion of our variable rate term loan into a fixed rate obligation at September 30, 2005. In February 2007, we entered into an additional interest rate swap agreement, as a result of which we do not expect that our term loan amounts will exceed the notional amounts of the interest rate swap agreements. If the future interest yield curve decreases, the fair value of the interest rate swap agreements will decrease and interest expense will increase. If the future interest yield curve increases, the fair value of the interest rate swap agreements will increase and interest expense will decrease.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See pages F-1 through F-36.

Table of Contents

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.

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 adequate and 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.

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 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation, management has concluded that our internal control over financial reporting was effective as of December 31, 2006.

There have not been any changes in our internal control over financial reporting during the quarter ended December 31, 2006 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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.

Our independent registered public accounting firm, PricewaterhouseCoopers LLP, who have audited and reported on our financial statements, issued an attestation report regarding our assessment of our internal controls over financial reporting as of December 31, 2006. PricewaterhouseCoopers 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.

ITEM 9B. OTHER INFORMATION

Not applicable.

Table of Contents

PART III

ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

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 2007 Annual Meeting of Stockholders scheduled to be held on May 31, 2007. 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 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 proxy statement. Such information is incorporated herein by reference.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

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

ITEM 14. PRINCIPAL ACCOUNTANT 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 proxy statement. Such information is incorporated herein by reference.

Table of Contents

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
2.1(1)	Asset Purchase Agreement dated as of July 25, 2005 by and among Entravision Holdings, LLC, Entravision Communications Corporation, Univision Radio License Corporation and Univision Communications Inc.
3.1(2)	Second Amended and Restated Certificate of Incorporation
3.2(3)	Third Amended and Restated Bylaws, as adopted on December 9, 2005

10.1(4)	2000 Omnibus Equity Incentive Plan
10.2(5)	Form of Notice of Stock Option Grant and Stock Option Agreement under the 2000 Omnibus Equity Incentive Plan
10.3(4)	Form of Voting Agreement by and among Walter F. Ulloa, Philip C. Wilkinson, Paul A. Zevnik and the registrant
10.4(1)	Employment Agreement effective as of August 1, 2005 by and between the registrant and Walter F. Ulloa
10.5(1)	Employment Agreement effective as of August 1, 2005 by and between the registrant and Philip C. Wilkinson
10.6*	Employment Agreement effective as of January 1, 2007 by and between the registrant and Jeffery A. Liberman
10.7(6)	Executive Employment Agreement effective as of December 1, 2005 by and between the registrant and John F. DeLorenzo
10.8*	Executive Employment Agreement effective as of February 1, 2007 between the registrant and Christopher T. Young
10.9(7)	Form of Indemnification Agreement for officers and directors of the registrant
10.10(4)	Form of Investors Rights Agreement by and among the registrant and certain of its stockholders

Table of Contents

Exhibit Number	Exhibit Description
10.11(1)	Amendment to Investor Rights Agreement dated as of September 9, 2005 by and between Entravision Communications Corporation and Univision Communications Inc.
10.12(1)	Letter Agreement regarding registration rights of Univision dated as of September 9, 2005 by and between Entravision Communications Corporation and Univision Communications Inc.
10.13(4)	Office Lease dated August 19, 1999 by and between Water Garden Company L.L.C. and Entravision Communications Company, L.L.C.
10.14(8)	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
10.15(6)	Second Amendment to Lease dated as of October 5, 2005 by and between Water Garden Company L.L.C. and the registrant
10.16(9)	Limited Liability Company Agreement of Lotus/Entravision Reps LLC dated as of August 10, 2001
10.17(10)	Master Network Affiliation Agreement, dated as of August 14, 2002, by and between Entravision Communications Corporation and Univision Network Limited Partnership
10.18(10)	Master Network Affiliation Agreement, dated as of March 17, 2004, by and between Entravision Communications Corporation and TeleFutura
10.19(2)	2004 Equity Incentive Plan
10.20(11)	First Amendment, dated as of May 1, 2006, to 2004 Equity Incentive Plan
10.21(12)	Second Amendment, dated as of July 13, 2006, to 2004 Equity Incentive Plan
10.22(5)	Form of Stock Option Award under the 2004 Equity Incentive Plan
10.23(13)	Form of Restricted Stock Unit Award under the 2004 Equity Incentive Plan
10.24(14)	Form of Restricted Stock Unit Award under the 2004 Equity Incentive Plan
10.25(15)	Summary of Non-Employee Director Compensation
10.26(2)	Share Repurchase Agreement, dated as of June 25, 2004, by and between Entravision Communications Corporation and TSG Capital Fund III, L.P.
10.27(1)	Credit and Guaranty Agreement dated as of September 29, 2005 among Entravision Communications Corporation, certain subsidiaries of Entravision Communications Corporation, as Guarantors, Goldman Sachs Credit Partners L.P., Union Bank of California, N.A., Citigroup Global Markets Inc., Wachovia Bank, National Association, Harris Nesbitt, National City Bank and the lenders party thereto
21.1*	Subsidiaries of the registrant
23.1*	Consent of PricewaterhouseCoopers LLP
23.2*	Consent of McGladrey & Pullen 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

Exhibit Number	Exhibit Description
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

* 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 Annual Report on Form 10-K for the year ended December 31, 2005, filed with the SEC on March 16, 2006.
(4) 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.
(5) 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.
(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 Quarterly Report on Form 10-Q for the quarter ended June 30, 2000, filed with the SEC on September 15, 2000.
(8) 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.
(9) 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.
(10) 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.
(11) 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.
(12) 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.
(13) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on October 4, 2006.
(14) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on March 2, 2007
(15) Incorporated by reference from our Current Report on Form 8-K, filed with the SEC on July 17, 2006.

(c) *Financial Statement Schedules:*

Not applicable.

Table of Contents

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 14, 2007

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 John F. DeLorenzo, 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 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 **Walter F. Ulloa**	Chairman, Chief Executive Officer (principal executive officer) and Director	March 14, 2007
/s/ PHILIP C. WILKINSON **Philip C. Wilkinson**	President, Chief Operating Officer and Director	March 14, 2007
/s/ JOHN F. DELORENZO **John F. DeLorenzo**	Executive Vice President, Treasurer and Chief Financial Officer (principal financial officer and principal accounting officer)	March 14, 2007
/s/ PAUL A. ZEVNIK	Director	March 14, 2007

Paul A. Zevnik		
/s/ DARRYL B. THOMPSON **Darryl B. Thompson**	Director	March 14, 2007
/s/ MICHAEL S. ROSEN **Michael S. Rosen**	Director	March 14, 2007
/s/ ESTEBAN E. TORRES **Esteban E. Torres**	Director	March 14, 2007
/s/ JESSE CASSO, JR. **Jesse Casso, Jr.**	Director	March 14, 2007

ENTRAVISION COMMUNICATIONS CORPORATION

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Entravision Communications Corporation

We have completed an integrated audit of Entravision Communications Corporation s 2006 consolidated financial statements and of its internal control over financial reporting as of December 31, 2006, in accordance with the standards of the Public Company Accounting Oversight Board (United States). Our opinions, based on our audit, are presented below.

Consolidated financial statements and financial statement schedule

In our opinion, the consolidated balance sheet as of December 31, 2006 and the related consolidated statement of operations, of stockholders equity and of cash flows for the year ended December 31, 2006 present fairly, in all material respects, the financial position of Entravision Communications Corporation and its subsidiaries at December 31, 2006, and the results of their operations and their cash flows for the year ended December 31, 2006 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the appendix appearing under Item 15(a) (2) presents fairly, in all material respects, the information set forth therein for the year ended December 31, 2006 when read in conjunction with the related consolidated financial statements. 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 audits. We conducted our audits of these statements 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 of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for share-based compensation in 2006.

Internal control over financial reporting

Also, in our opinion, management s assessment, included in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A, that the Company maintained effective internal control over financial reporting as of December 31, 2006 based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), is fairly stated, in all material respects, based on those criteria. Furthermore, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2006, based on criteria established in *Internal Control Integrated Framework* issued by the 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. Our responsibility is to express opinions on management s assessment and on the effectiveness of the Company s internal control over financial reporting based on our audit. We conducted our audit of internal control over financial reporting 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. An audit of internal control over financial reporting includes obtaining an understanding of internal control over financial reporting, evaluating management s assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we consider necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions.

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 (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (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 of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) 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.

/s/ PricewaterhouseCoopers LLP

Los Angeles, California

March 13, 2007

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors

Entravision Communications Corporation

Santa Monica, California

We have audited the consolidated balance sheet of Entravision Communications Corporation and subsidiaries as of December 31, 2005, and the related consolidated statements of operations, stockholders equity and cash flows for each of the two years in the period ended December 31, 2005. Our audits also included the financial statement schedule of Entravision Communications Corporation and subsidiaries listed in 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 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 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 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 subsidiaries as of December 31, 2005, and the results of their operations and their cash flows for each of the two years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the two years ended December 31, 2005, 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.

Pasadena, California

March 14, 2006

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS

December 31, 2006 and 2005

(In thousands, except share and per share data)

	December 31, 2006	December 31, 2005
ASSETS		
Current assets		
Cash and cash equivalents	$ 118,525	$ 65,610
Trade receivables (including related parties of $4 and $14), net of allowance for doubtful accounts of $4,848 and $5,073	61,036	61,215
Assets held for sale		69,454
Deferred income taxes	6,735	36,500
Prepaid expenses and other current assets (including related parties of $274 and $691)	6,909	7,164
Total current assets	193,205	239,943
Property and equipment, net	145,975	152,114
Intangible assets subject to amortization, net (included related parties of $34,802 and $37,122)	90,172	108,532
Intangible assets not subject to amortization	746,048	843,332
Goodwill	229,210	385,833
Other assets	14,054	13,405
Total assets	$ 1,418,664	$ 1,743,159
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities		
Current maturities of long-term debt (including related parties of $1,000 and $1,000)	$ 3,697	$ 6,333
Advances payable, related parties	118	118
Accounts payable and accrued expenses (including related parties of $3,690 and $2,802)	33,770	35,110
Total current liabilities	37,585	41,561
Long-term debt, less current maturities (including related parties of $4,000 and $5,000)	494,073	500,269
Other long-term liabilities	4,522	3,760
Deferred income taxes	130,765	168,636
Total liabilities	666,945	714,226
Commitments and contingencies (note 9 and 13)		
Stockholders equity		
Class A common stock, $0.0001 par value, 260,000,000 shares authorized; shares issued and outstanding 2006 60,292,948; 2005 59,770,587	7	6
Class B common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2006 26,548,033 and 2005 27,678,533	3	3
Class U common stock, $0.0001 par value, 40,000,000 shares authorized; shares issued and outstanding 2006 17,152,729 and 2005 36,926,600	2	4

Additional paid-in capital	1,042,698	1,185,312
Accumulated deficit	(290,991)	(156,392)
	751,719	1,028,933
Treasury stock, Class A common stock, $0.0001 par value, 2006 1,180,887 and 2005 5,101 shares		
Total stockholders equity	751,719	1,028,933
Total liabilities and stockholders equity	$ 1,418,664	$ 1,743,159

See Notes to Consolidated Financial Statements

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS

Years ended December 31, 2006, 2005 and 2004

(In thousands, except share and per share data)

	2006	2005	2004
Net revenue (including related parties of $600 and $605 and $1,301)	$ 291,752	$ 280,964	$ 259,053
Expenses:			
Direct operating expenses (including related parties of $12,422 and $11,514 and $11,961) (including non-cash stock-based compensation of $267, $0 and $0)	123,798	120,285	112,574
Selling, general and administrative expenses (including non-cashstock-based compensation of $911, $229 and $22)	51,993	51,755	49,792
Corporate expenses (including non-cash stock-based compensation of $1,576, $768 and $81)	18,851	17,513	16,860
Gain on sale of assets	(26,160)		(3,487)
Depreciation and amortization (includes direct operating of $40,052, $41,104 and $37,410; selling, general and administrative of $4,132, $4,402 and $4,338; and corporate of $506, $905 and $1,047) (including related parties of $2,320, $2,320 and $2,320)	44,690	46,411	42,795
Impairment charge	189,661		
	402,833	235,964	218,534
Operating income (loss)	(111,081)	45,000	40,519
Interest expense (including related parties of $315, $373 and $436)	(29,431)	(29,848)	(28,282)
Interest income	1,602	966	456
Loss on debt extinguishment		(27,969)	
Income (loss) before income taxes	(138,910)	(11,851)	12,693
Income tax (expense) benefit	4,463	2,338	(7,044)
Income (loss) before equity in net loss of nonconsolidated affiliate	(134,447)	(9,513)	5,649
Equity in net loss of nonconsolidated affiliate (including non-cashstock-based compensation of $90, $224 and $30)	(152)	(144)	(6)
Income (loss) before discontinued operations	(134,599)	(9,657)	5,643
Gain on disposal of discontinued operations net of tax $0, $0 and $350			521
Net income (loss)	(134,599)	(9,657)	6,164
Accretion of preferred stock redemption value			(15,913)
Net loss applicable to common stockholders	$ (134,599)	$ (9,657)	$ (9,749)
Basic and diluted earnings per share:			

Net loss per share from continuing operations applicable to common stockholders	$ (1.27)	$ (0.08)	$ (0.10)
Net income per share from discontinued operations	$	$	$ 0.00
Net loss per share, applicable to common stockholders, basic and diluted	$ (1.27)	$ (0.08)	$ (0.09)
Weighted average common shares outstanding, basic and diluted	106,078,486	124,293,792	105,758,136

See Notes to Consolidated Financial Statements

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

Years ended December 31, 2006, 2005 and 2004

(In thousands, except share data)

	Series A Mandatorily Redeemable Preferred Stock		Series U Convertible Preferred Stock		Number of Common Shares			
	Shares	Amount	Shares	Amount	Class A	Class B	Class U	Treasury Stock
Balance, December 31, 2003	5,865,102	$ 112,269	369,266	$	59,434,048	27,678,533		5,101
Issuance of common stock upon exercise of stock options					34,248			
Issuance of common stock under employee stock purchase plan					100,647			
Accretion of redemption value on preferred stock		15,913						
Stock options granted to non-employees, net								
Proceeds from Stock Subscription receivable								
Repurchase of Series A Preferred Stock	(5,865,102)	(128,182)						
Series U preferred stock exchanged for Class U common stock			(369,266)				36,926,600	
Net income for the year ended December 31, 2004								
Balance, December 31, 2004		$		$	59,568,943	27,678,533	36,926,600	5,101
Issuance of common stock upon exercise of stock options					78,125			
Issuance of common stock under employee stock purchase plan					123,519			
Stock options granted to non-employees, net of options reclassified as liabilities								
Net loss for the year ended December 31, 2005								
Balance, December 31, 2005		$		$	59,770,587	27,678,533	36,926,600	5,101
Issuance of common stock upon exercise of stock options					414,417			
Issuance of common stock under employee stock purchase plan					128,230			

Stock-based compensation expense, net of stock options granted to non-employees reclassified as equity								
Stock received in connection with the San Francisco/San Jose market disposition							(12,573,871)	
Repurchase of Class A common stock					(1,175,786)			1,175,786
Repurchase of Class U common stock							(7,175,000)	
Class U common stock exchanged for Class A common stock					25,000		(25,000)	
Class B common stock exchanged for Class A common stock					1,130,500	(1,130,500)		
Net loss for the year ended December 31, 2006								
Balance, December 31, 2006		$		$	60,292,948	26,548,033	17,152,729	1,180,887

F-7

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Continued)

Years ended December 31, 2006, 2005 and 2004

(In thousands, except share data)

	Common Stock			Additional Paid-in	Accumulated	
	Class A	Class B	Class U	Capital	Deficit	Total
Balance, December 31, 2003	$ 6	$ 3	$	$ 1,182,978	$ (136,986)	$ 1,046,001
Issuance of common stock upon exercise of stock options				233		233
Issuance of common stock under employee stock purchase plan				752		752
Accretion of redemption value on preferred stock					(15,913)	(15,913)
Stock options granted to non-employees, net				133		133
Proceeds from Stock Subscription receivable				302		302
Repurchase of Series A Preferred Stock						
Series U preferred stock exchanged for Class U common stock			4	(4)		
Net income for the year ended December 31, 2004					6,164	6,164
Balance, December 31, 2004	$ 6	$ 3	$ 4	$ 1,184,394	$ (146,735)	$ 1,037,672
Issuance of common stock upon exercise of stock options				557		557
Issuance of common stock under employee stock purchase plan				840		840
Stock options granted to non-employees, net of options reclassified as liabilities				(479)		(479)
Net loss for the year ended December 31, 2005					(9,657)	(9,657)
Balance, December 31, 2005	$ 6	$ 3	$ 4	$ 1,185,312	$ (156,392)	$ 1,028,933
Issuance of common stock upon exercise of stock options	1			3,241		3,242
Issuance of common stock under employee stock purchase plan				770		770
Stock-based compensation expense, net of stock options granted to non-employees reclassified as equity				4,659		4,659
Stock received in connection with the San Francisco/San Jose market disposition			(1)	(89,999)		(90,000)
Repurchase of Class A common stock				(8,772)		(8,772)
Repurchase of Class U common stock			(1)	(52,513)		(52,514)
Class U common stock exchanged for Class A common stock						
Class B common stock exchanged for Class A common stock						
Net loss for the year ended December 31, 2006					(134,599)	(134,599)
Balance, December 31, 2006	$ 7	$ 3	$ 2	$ 1,042,698	$ (290,991)	$ 751,719

See Notes to Consolidated Financial Statements

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended December 31, 2006, 2005 and 2004

(In thousands)

	2006	2005	2004
Cash flows from operating activities:			
Net income (loss)	$ (134,599)	$ (9,657)	$ 6,164
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	44,690	46,411	42,795
Impairment charge	189,661		
Deferred income taxes	(8,882)	(3,748)	5,647
Amortization of debt issue costs	406	1,888	2,914
Amortization of syndication contracts	87	72	280
Payments on syndication contracts	(83)	(7)	(254)
Equity in net loss of nonconsolidated affiliate	152	144	6
Non-cash stock-based compensation	2,754	997	103
Gain on sale of media properties and other assets	(26,160)		(4,008)
Loss on debt extinguishment		9,581	
Change in fair value of interest rate swap agreements	(2,359)	(3,750)	
Changes in assets and liabilities, net of effect of acquisitions and dispositions:			
Increase in accounts receivable	(76)	(8,267)	(2,910)
Decrease (increase) in prepaid expenses and other assets	929	(2,254)	26
Increase (decrease) in accounts payable, accrued expenses and other liabilities	(4,491)	4,530	1,834
Net cash provided by operating activities	62,029	35,940	52,597
Cash flows from investing activities:			
Proceeds from sale of property and equipment and intangibles	96,282	44	41,455
Purchases of property and equipment and intangibles	(40,586)	(39,880)	(23,338)
Purchase of a business			(17,592)
Deposits on acquisitions	106	(1,088)	
Proceeds from collection of note receivable	1,288		
Distribution from nonconsolidated affiliate			300
Net cash provided by (used in) investing activities	57,090	(40,924)	825
Cash flows from financing activities:			
Proceeds from issuance of common stock	3,760	1,347	1,081
Payments on long-term debt	(24,795)	(476,125)	(229,151)
Repurchase of Class U common stock	(52,514)		
Repurchase of Class A common stock	(8,772)		
Repurchase of Series A preferred stock			(128,182)
Proceeds from borrowings on long-term debt	16,000	500,000	334,302
Excess tax benefits from exercise of stock options	117		
Payments of deferred debt and offering costs		(1,597)	(4,309)

Net cash (used in) provided by financing activities	(66,204)	23,625	(26,259)
Net increase in cash and cash equivalents	52,915	18,641	27,163
Cash and cash equivalents:			
Beginning	65,610	46,969	19,806
Ending	$ 118,525	$ 65,610	$ 46,969
Supplemental disclosures of cash flow information:			
Cash payments for:			
Interest	$ 31,537	$ 29,575	$ 25,183
Income taxes	$ 4,298	$ 1,410	$ 1,398
Supplemental disclosures of non-cash investing and financing activities:			
Sale of San Francisco/San Jose radio station assets in exchange for Class U common stock	$ 90,000	$	$
Exchange of television assets in the McAllen, Texas market	$ 1,543	$	$

See Notes to Consolidated Financial Statements

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. NATURE OF BUSINESS

Nature of Business

Entravision Communications Corporation (together with its subsidiaries, hereinafter, individually and collectively, the Company) is a diversified Spanish-language media company utilizing a combination of television, radio and outdoor operations to reach Hispanic consumers in the United States. The Company s management has determined that the Company operates in three reportable segments, based upon the type of advertising medium, which consist of television broadcasting, radio broadcasting and outdoor advertising. As of December 31, 2006, the Company owns and/or operates 51 primary television stations located primarily in the southwestern United States, consisting primarily of Univision Communications Inc. (Univision) affiliated stations. Radio operations consist of 47 operational radio stations, 36 FM and 11 AM, in 18 markets located in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas. The Company s outdoor operations consist of approximately 10,600 advertising faces located primarily in Los Angeles and New York.

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 our prior period consolidated financial statements and notes to the financial statements have been reclassified to conform to current period presentation.

Investment in Nonconsolidated Affiliates

Except for a variable interest entity, the Company accounts for its investment in its less than majority-owned investees using the equity method under which the Company s share of the net earnings is recognized in the Company s statement of operations. Condensed financial information is not provided, as these operations are not considered to be significant.

Variable Interest Entity

The Company has consolidated an entity for which the cash flows are expected to be disproportionate to the ownership. Total net assets and results of operations of the entity at December 31, 2006 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 outdoor 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, 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, deferred income taxes and the purchase price allocations used in the Company s acquisitions.

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Cash and Cash Equivalents

For purposes of reporting cash flows, the Company considers all highly liquid debt instruments purchased with original maturities of three months or less to be cash equivalents.

Long-lived Assets and Assets Held for Sale, Including 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. Depreciation is not recorded for assets once the assets are classified as assets held for sale.

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 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. Management has determined that no impairment of long-lived assets currently exists.

Goodwill and Indefinite Life Intangible Assets

Goodwill and indefinite life intangible assets 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. In assessing the recoverability of goodwill and indefinite life intangible assets, the Company must make assumptions about the estimated future cash flows and other factors to determine the fair value of these assets. The annual testing date is October 1.

Assumptions about future revenue and cash flows require significant judgment because of the current state of the economy, the fluctuation of actual revenue and the timing of expenses. The Company s management develops future revenue estimates based on projected ratings increases, planned timing of signal strength upgrades, planned timing of promotional events, customer commitments and available advertising time. Estimates of future cash flows assume that expenses will grow at rates consistent with historical rates. Certain stations under evaluation have had limited relevant cash flow history due to planned conversion of format or upgrade of station signal. The assumptions about cash flows after conversion or upgrade reflect estimates of how these stations are expected to perform based on similar stations and markets and possible proceeds from the sale of the assets. If the expected cash flows are not realized, impairment losses may be recorded in the future.

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

For goodwill, the impairment evaluation includes a comparison of the carrying value of the reporting unit (including goodwill) to that reporting unit s fair value. If the reporting unit s estimated fair value exceeds the reporting unit s carrying value, no impairment of goodwill exists. If the fair value of the reporting unit does not exceed the unit s carrying value, then an additional analysis is performed to allocate the fair value of the reporting unit to all of the assets and liabilities of that unit as if that unit had been acquired in a business combination and the fair value of the unit was the purchase price. If the excess of the fair value of the reporting unit over the fair value of the identifiable assets and liabilities is less than the carrying value of the unit s goodwill, an impairment charge is recorded for the difference.

Similarly, the impairment evaluation for indefinite life intangible assets includes 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. 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 the future cash flows of the Company. The Company also evaluates annually intangible assets that are not being amortized to determine whether events and circumstances continue to support an indefinite useful life. If an intangible asset that is not being amortized is determined to have a finite useful life, the asset will be amortized prospectively over the estimated remaining useful life and accounted for in the same manner as intangible assets subject to amortization.

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, 2006, 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 $1.9 million, $1.7 million and $2.8 million for the years ended December 31, 2006, 2005 and 2004, respectively. The net charge off of bad debts aggregated $2.5 million, $2.1 million and $2.9 million for the years ended December 31, 2006, 2005 and 2004, respectively.

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.

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The carrying amount of long-term debt approximates the fair value of the Company s long-term debt based on the quoted market prices for the same or similar issues or on the current rates offered to the Company for debt of the same remaining maturities with similar collateral requirements.

The carrying amount of the Company s interest rate swap agreements is recorded at fair market value and any changes to the value are recorded as an increase or decrease in interest expense. The fair market value of each interest rate swap agreement is determined by estimating the future discounted cash flows of any future payments that may be made under such agreement.

Derivative Instruments

SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, 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. For all derivative instruments held in 2006, the changes of fair value have been recorded in earnings. The Company does not enter into derivative instruments for speculation or trading purposes.

Off-balance Sheet Financings and Liabilities

Other than lease commitments, legal contingencies incurred in the normal course of business, appreciation right agreements, employment contracts for key employees and the interest rate swap agreements (see Notes 7, 9 and 13), 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.

Advertising Costs

Amounts incurred for advertising costs with third parties are expensed as incurred. Advertising expense totaled approximately $1.3 million, $1.4 million and $1.4 million for the years ended December 31, 2006, 2005 and 2004, 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.

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Revenue Recognition

Television and radio revenue related to the sale of advertising is recognized at the time of broadcast. Revenue for outdoor advertising space is recognized ratably over the term of the contract, which is typically less than 12 months. 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.

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 $1.5 million, $2.3 million and $2.3 million for the years ended December 31, 2006, 2005 and 2004, respectively. Trade costs were approximately $1.4 million, $1.5 million and $2.0 million for the years ended December 31, 2006, 2005 and 2004, respectively.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 123 (revised 2004), Share-Based Payment, (SFAS 123R) which requires the measurement and recognition of compensation expense for all stock-based awards made to employees and directors including employee stock options and employee stock purchases under the 2001 Employee Stock Purchase Plan (the Purchase Plan) based on estimated fair values. Prior to January 1, 2006, the Company accounted for those plans under the recognition and measurement provisions of Accounting Principles Board Opinion (APB) No. 25, Accounting for Stock Issued to Employees (APB 25) and related Interpretations, as permitted by SFAS No. 123, Accounting for Stock-Based Compensation (SFAS 123). In March 2005, the SEC issued Staff Accounting Bulletin (SAB) No. 107 (SAB 107) providing supplemental implementation guidance for SFAS 123R. The Company has applied the provisions of SAB 107 in the adoption of SFAS 123R.

SFAS 123R requires companies to estimate the fair value of stock-based awards on the date of grant using an option pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Consolidated Statements of Operations. Effective January 1, 2006, the Company adopted the fair value recognition provisions of SFAS 123R using the modified prospective transition method. Under that transition method, compensation cost recognized in the year ended December 31, 2006 include: (i) compensation cost for all stock-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant-date fair value estimated in accordance with the pro forma provisions of SFAS 123, and (ii) compensation cost for all stock-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of SFAS 123R.

As stock-based compensation expense recognized in the Company s results is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. SFAS 123R requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Prior to January 1, 2006, the Company accounted for forfeitures as they occurred for the purposes of pro forma information under SFAS 123 for the related periods.

Upon adoption of SFAS 123R, the Company selected the Black-Scholes option pricing model as the most appropriate method for determining the estimated fair value for stock-based awards. The Black-Scholes option

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

On November 10, 2005, the Financial Accounting Standards Board (FASB) issued FASB Staff Position (FSP) No. FAS 123R-3, Transition Election Related to Accounting for Tax Effects of Share-Based Payment Awards (FSP 123R-3) that allows for a simplified method to establish the beginning balance of the additional paid-in capital pool (APIC Pool) related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC Pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R. The Company has elected to adopt the simplified method to establish the beginning balance of the APIC Pool related to the tax effects of employee stock-based compensation, and to determine the subsequent impact on the APIC Pool and Consolidated Statements of Cash Flows of the tax effects of employee stock-based compensation awards that are outstanding upon adoption of SFAS 123R.

Prior to the adoption of SFAS 123R, the Company used the Black-Scholes option pricing model to account for all stock-based compensation plans, including employee stock option plans and the Purchase Plan, using the intrinsic value method in accordance with APB 25 and related Interpretations, as permitted by SFAS 123, which does not require compensation to be recorded if the consideration to be received is at least equal to the fair value of the common stock to be issued at the measurement date. In accordance with the modified prospective transition method the Company used in adopting SFAS 123R, the results of operations prior to January 1, 2006 have not been restated to reflect, and do not include, the possible impact of SFAS 123R.

Prior to the adoption of SFAS 123R, the Company presented all tax benefits resulting from the exercise of stock options as operating cash flows in the Consolidated Statement of Cash Flows. Excess tax benefits are realized tax benefits from tax deductions for exercised options in excess of the deferred tax asset attributable to stock-based compensation costs. SFAS 123R requires cash flows resulting from excess tax benefits to be classified as financing cash flows.

As a result of adopting SFAS 123R, the Company s operating income, income before income taxes and net income applicable to common stockholders, for the year ended December 31, 2006 decreased by $1.7 million, $1.7 million and $1.4 million, respectively, than if the Company had continued to account for stock-based compensation under the recognition and measurement provisions of APB 25 and related Interpretations, as permitted by SFAS 123. Cash flows from operating activities and cash flows from financing activities decreased $0.1 million and increased $0.1 million, respectively, as a result of adopting SFAS 123R. Basic and diluted earnings per share for the year ended December 31, 2006 decreased $0.01 as a result of adopting SFAS 123R.

Loss Per Share

Basic loss per share is computed as net loss less accretion of preferred stock redemption value, premium paid on early redemption and accrued dividends on Series A mandatorily redeemable convertible preferred stock divided by the weighted average number of shares outstanding for the period. Diluted loss per share reflects the potential dilution, if any, that could occur from shares issuable through stock options and convertible securities.

For the years ended December 31, 2006, 2005 and 2004, the dilutive securities described below have been excluded, as their inclusion would have had an antidilutive effect on loss per share. For the year ended December 31, 2006, 74,371 equivalent shares of stock options and shares purchased under the Employee Stock Purchase Plan were not included in determining the weighted average shares outstanding for diluted loss per share since their inclusion would be antidilutive. For the year ended December 31, 2005, 190,681 equivalent

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

shares of stock options and shares purchased under the Employee Stock Purchase Plan were not included in determining the weighted average shares outstanding for diluted loss per share since their inclusion would be antidilutive. For the year ended December 31, 2004, 350,010 equivalent shares of stock options and shares purchased under the Employee Stock Purchase Plan were not included in determining the weighted average shares outstanding for diluted loss per share since their inclusion would be antidilutive. Additionally, the Company had 5,865,102 shares of Series A mandatorily redeemable convertible preferred stock, which would result in an additional 5,865,102 shares for diluted earnings per share if their effect was not antidilutive for the year ended December 31, 2004.

Comprehensive Income

For the years ended December 31, 2006, 2005 and 2004, the Company had no components of comprehensive income.

Recently Issued Accounting Pronouncements

In June 2006, the FASB issued Interpretation No.48, Accounting for Uncertainty in Income Taxes , (FIN 48). The interpretation requires that the Company recognize in the financial statements, the impact of a tax position, if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The provisions of FIN 48 are effective as of the beginning of the 2007 fiscal year, with the cumulative effect of the change in accounting principle recorded as an adjustment to opening retained earnings. The Company is currently evaluating the impact of adopting FIN 48 on the financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS 157), Fair Value Measurements, which establishes a framework for reporting fair value and expands disclosures about fair value measurements. SFAS 157 is effective beginning in the first quarter of 2008. The Company is currently evaluating the impact of adopting SFAS 157 on the financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin No. 108 (SAB 108), Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements, to address diversity in practice in quantifying financial statement misstatements. SAB 108 requires that the Company quantify misstatements based on their impact on each of the financial statements and related disclosures. SAB 108 is effective as of the end of fiscal year 2006, allowing a one-time transitional cumulative effect adjustment to retained earnings as of January 1, 2006 for errors that were not previously deemed material, but are material under the guidance in SAB 108. The adoption of SAB 108 did not have a material impact on the Company s financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS 159), The Fair Value Option for Financial Assets and Financial Liabilities, which permits entities to measure eligible financial instruments, commitments, and certain other arrangements at fair value at specified election dates with changes in fair value recognized in earnings at each subsequent reporting period. SFAS 159 is effective beginning in the first quarter of 2008. The Company is currently evaluating the impact of adopting SFAS 159 on the financial statements.

3. ACQUISITIONS AND DISPOSITIONS

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

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

activities and assets consisting of inputs, processes applied to those inputs and resulting outputs 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.

During the years ended December 31, 2006, 2005 and 2004, the Company made the acquisitions discussed in the following paragraphs, some of which were asset acquisitions and did not constitute a business. 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.

2006 Acquisitions

In February 2006, the Company acquired the assets of television stations KTIZ-LP, KSFE-LP, KLIA-LP and KFTN-LP in the McAllen, Texas market for $2.3 million in exchange for approximately $0.8 million in cash and the assets of television station KTFV-CA in the McAllen, Texas market.

In July 2006, the Company acquired a full power television construction permit in Derby, Kansas for $2.7 million in an auction held by the FCC.

In July 2006, the Company acquired the assets of radio station KBOC-FM in Dallas, Texas for $16.6 million.

In August 2006, the Company acquired the assets of television station KNEZ-LP (now KXOF-CA) in the Laredo, Texas market for $1.4 million.

The Company evaluated the transferred set of activities, assets, inputs, outputs and processes from each of our completed 2006 acquisitions and determined that the items excluded were significant and that each of these acquisitions was not considered a business.

2005 Acquisitions

In February 2005, the Company acquired the assets of radio station KAIQ-FM in the Lubbock, Texas market for approximately $1.7 million. Also in February 2005, the Company acquired the assets of television stations KVTF-CA and KTFV-CA in the McAllen, Texas market and television station KETF-CA in the Laredo, Texas market, for an aggregate of approximately $3.8 million.

In June 2005, certain of the Company s Mexican affiliates acquired all of the outstanding capital stock of the television licensee of XHRIO-TV in Matamoros, Tamaulipas, Mexico, serving the McAllen, Texas market, as well as substantially all of the assets related to such station, for an aggregate of approximately $13.2 million. In August 2005, XHRIO-TV was launched as a Fox affiliate in that market. The acquisition was treated as an asset acquisition for income tax purposes.

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The Company evaluated the transferred set of activities, assets, inputs, outputs and processes in each of these acquisitions and determined that none of these acquisitions constituted a business.

2004 Acquisitions

In September 2004, the Company acquired all of the outstanding capital stock of Diamond Radio, Inc., the owner and operator of radio station KBMB-FM in the Sacramento, California market for an aggregate purchase price of $17.6 million. The Company evaluated the transferred set of activities, assets, inputs, outputs and processes associated with this acquisition and determined that it constituted a business. As such, the Company accounted for this acquisition as a business combination in accordance with SFAS No. 141. The Company expects to achieve efficiencies through economies of scale and an increased presence in the Sacramento market, which supported its recorded value of goodwill.

The only change in the carrying amount of goodwill for the year ended December 31, 2004 is $6.4 million from the acquisition described above. This increase in goodwill is not expected to be deductible for income tax purposes.

Purchase Price Allocations of Acquisitions

The following is a summary of the purchase price allocation for the Company s 2006, 2005 and 2004 acquisitions of assets and businesses (in millions):

	2006	2005	2004
Current and other assets, net of cash acquired	$	$	$ 0.6
Property and equipment	0.3	1.4	0.4
Intangible assets	22.7	17.3	22.8
Current and other liabilities			(0.1)
Deferred income taxes			(6.1)
	$ 23.0	$ 18.7	$ 17.6

2006 Dispositions

In January 2006, the Company sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for $90 million. The full amount of the purchase price was paid in the form of 12,573,871 shares of the Company s Class U common stock held by Univision based on the ten day volume weighted average share price of $7.1577 between December 15, 2005 and December 29, 2005. The Company realized a gain on sale of $10.5 million, net of tax of $7 million. The Company had a loss of approximately $2.4 million related to the closure of the San Francisco/San Jose facility.

The assets in the San Francisco/San Jose, California market were classified as assets held for sale at December 31, 2005. Summarized balance sheet data for assets held for sale at December 31, 2005 was as follows (in millions):

Property and equipment, net	$ 1.8
Land	4.9
Other intangibles subject to amortization, net	2.5
FCC licenses not subject to amortization	60.3
	$ 69.5

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In September 2006, the Company sold the assets of radio station KZLZ-FM serving the Tucson, Arizona market for $4.8 million. The Company realized a gain on sale of $0.7 million, net of tax of $0.4 million.

In November 2006, the Company sold the assets of all of its radio stations serving the Dallas, Texas market, including the assets of KBOC-FM which the Company acquired in July 2006, for an adjusted purchase price of $92.5 million. The Company realized a gain on sale of $7.9 million. The carrying value of certain of the assets had been adjusted to fair value less costs to sell, resulting in an impairment charge of $16 million, net of tax of $11 million, in the second quarter of 2006.

The assets sold in 2006 did not constitute a component set under SFAS No. 144 Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144); therefore, there is no presentation of discontinued operations.

2004 Dispositions

In February 2004, the Company sold the assets of radio station KZFO-FM in the Fresno, California market to Univision for approximately $8.0 million.

In May 2004, the Company sold the assets of radio stations WNDZ-AM, WRZA-FM and WZCH-FM in the Chicago, Illinois market for an aggregate amount of approximately $28.8 million.

In August 2004, the Company sold the assets of radio station KRVA-AM in the Dallas, Texas market for approximately $3.5 million.

None of the 2004 dispositions qualify as a sale of a business, nor are they a component of an entity. Accordingly, none of the 2004 dispositions qualify for discontinued operations presentation, and no goodwill has been allocated to such dispositions.

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The Company has identified its three operating segments each to be separate reporting units: television broadcasting, radio broadcasting and outdoor advertising. 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. In the Letter of Intent issued in accordance with the sale of certain of the Dallas radio assets, including FCC licenses, the expected sales price was less than the carrying value, which indicated that other radio assets might be impaired. As a result of the sale of the Dallas radio assets, the Company conducted a valuation of the radio reporting unit for the purpose of determining whether any impairment existed.

The valuation of the fair value of the radio reporting unit was primarily determined by evaluating discounted cash flow models for the reporting unit. The assumptions in the models were based on the reporting unit s projected ability to generate cash flows in various markets based on signal coverage of the markets and on the reporting unit s actual historical results and expected future cash flows in each area. In order to corroborate the fair market value estimated by the discounted cash flow analysis, the valuation considered recent comparable sales. Based on the assumptions and projections, the radio reporting unit s fair value was less than its carrying value. In accordance with the provisions of SFAS No. 142 Goodwill and Other Intangible Assets (SFAS

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

142), the Company recognized impairment losses of $156.2 million relating to goodwill and $33.5 million relating to FCC licenses in the Dallas and Denver markets.

The impairment of goodwill and the Denver FCC licenses was primarily related to a general slowing of growth in the radio industry over recent quarters. The impairment of the Dallas FCC licenses was primarily related to increased competition and a general slowing of growth in the radio industry over recent quarters resulting in the write-down of certain of the assets of the Dallas market to fair value based on the pending sale.

No impairment charges were recorded during the years ended December 31, 2005 and 2004.

The carrying amount of goodwill for each of the Company s operating segments for the years ended December 31, 2006 and 2005 is as follows (in thousands):

	Television	Radio	Outdoor	Total
December 31, 2004	$ 36,299	$ 288,603	$ 61,075	$ 385,977
Purchase price allocation adjustment for Diamond Radio, Inc.		(144)		(144)
December 31, 2005	$ 36,299	$ 288,459	$ 61,075	$ 385,833
Goodwill impairment		(156,236)		(156,236)
Purchase price allocation adjustments	(387)			(387)
December 31, 2006	$ 35,912	$ 132,223	$ 61,075	$ 229,210

The composition of the Company s acquired intangible assets and the associated accumulated amortization as of December 31, 2006 and 2005 is as follows (in thousands):

	Weighted average remaining life in years	2006			2005		
		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	15	$ 62,591	$ 27,787	$ 34,804	$ 62,591	$ 25,467	$ 37,124
Customer base	4	136,652	84,009	52,643	136,652	68,968	67,684
Other	7	27,673	24,948	2,725	29,406	25,682	3,724
Total intangible assets subject to amortization		$ 226,916	$ 136,744	90,172	$ 228,649	$ 120,117	108,532
Intangible assets not subject to amortization:							
FCC licenses				746,048			843,332
Total intangible assets				$ 836,220			$ 951,864

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The aggregate amount of amortization expense for the years ended December 31, 2006, 2005 and 2004 was approximately $17.9 million, $19.2 million and $18.4 million, respectively. Estimated amortization expense for each of the years ending December 31, 2007 through 2011 is as follows (in thousands):

Estimated Amortization Expense	Amount
2007	$ 18,300
2008	18,300
2009	17,500
2010	10,000
2011	2,300

5. PROPERY AND EQUIPMENT

Property and equipment at December 31, 2006 and 2005 consists of (in millions):

	Estimated useful life (years)	2006	2005
Buildings	39	$ 105.5	$ 105.0
Construction in progress		6.4	9.4
Transmission, studio and other broadcast equipment	5-15	132.9	123.3
Office and computer equipment	3-7	17.9	17.5
Transportation equipment	5	5.7	5.2
Leasehold improvements and land improvements	Lesser of lease life or useful life	18.3	14.1
		286.7	274.5
Less accumulated depreciation		148.4	130.7
		138.3	143.8
Land		7.7	8.3
		$ 146.0	$ 152.1

6. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

Accounts payable and accrued expenses at December 31, 2006 and 2005 consist of (in millions):

	2006	2005
Accounts payable	$ 2.4	$ 3.3
Accrued payroll and compensated absences	6.1	6.6
Accrued bonuses	1.7	1.7
Professional fees and transaction costs	0.9	1.1
Accrued interest	7.7	7.7
Deferred revenue	3.4	3.9
Accrued national representation fees	1.9	1.6
Other	9.7	9.2
	$ 33.8	$ 35.1

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

7. LONG-TERM DEBT

Long-term debt at December 31, 2006 and 2005 is summarized as follows (in millions):

	2006	2005
Syndicated bank credit facility	$ 492.5	$ 500.0
Time brokerage contract payable, due in annual installments of $1 million bearing interest at 5.806% through June 2011	5.0	6.0
Other	0.3	0.6
	497.8	506.6
Less current maturities	3.7	6.3
	$ 494.1	$ 500.3

The scheduled maturities of long-term debt at December 31, 2006 are as follows (in millions):

Year	Amount
2007	$ 3.7
2008	6.1
2009	6.0
2010	6.0
2011	6.0
Thereafter	470.0
	$ 497.8

Syndicated Bank Credit Facility

In September 2005, the Company refinanced its former syndicated bank credit facility with a new $650 million senior secured syndicated bank credit facility, consisting of a 7 1/2-year $500 million term loan and a 6 1/2-year $150 million revolving facility. The term loan under the new syndicated bank credit facility has been drawn in full, the proceeds of which were used (i) to refinance $250 million outstanding under the

Company s former syndicated bank credit facility, (ii) to complete a tender offer for the Company s previously outstanding $225 million senior subordinated notes, and (iii) for general corporate purposes.

The term loan matures in 2013 and is subject to automatic quarterly reductions of $1.25 million starting on January 1, 2006. The revolving facility expires in 2012. The Company s ability to make additional borrowings under the syndicated bank credit facility is subject to compliance with certain financial covenants, including financial ratios, and other conditions set forth in the syndicated bank credit facility.

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

The term loan bears interest at LIBOR plus a margin of 1.50%, for a total interest rate of 6.86% at December 31, 2006. As of December 31, 2006, $492.5 million of the term loan was outstanding.

The revolving facility bears interest at LIBOR plus a margin ranging from 1% to 2% based on leverage covenants. As of December 31, 2006, the Company had approximately $2 million in outstanding letters of credit

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

and $148 million was available under the revolving facility for future borrowings. In addition, the Company pays a quarterly unused commitment fee ranging from 0.25% to 0.50% per annum, depending on the level of facility used.

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

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

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

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

Derivative Instruments

As of December 31, 2006, the Company had three interest rate swap agreements with a $448 million aggregate notional amount, with quarterly reductions, that expire on October 1, 2010. These interest rate swap agreements convert a portion of the variable rate term loan into a fixed rate obligation of 5.96%, which includes the margin of 1.50%. It is expected that as the notional amount of the interest rate swap agreements decline, the term loan amounts will exceed the notional amounts of the interest rate swap agreements. The excess loan amount outstanding over the notional amount of the interest rate swap agreements will incur interest at LIBOR plus 1.50%. As of December 31, 2006 and 2005, these interest rate swap agreements were not designated for hedge accounting treatment under SFAS No. 133, and as a result, changes in their fair values are reflected currently in earnings. As of December 31, 2006 and 2005, the fair value of the interest rate swap agreements were $6.1 million and $3.8 million, respectively, and are classified as other assets on the balance sheet. For the years ended December 31, 2006 and 2005, the Company recognized a reduction of $2.4 million and $3.8 million, respectively, in interest expense related to the increase in fair value of the interest rate swap agreements.

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Senior Subordinated Notes

The Company had senior subordinated notes (Notes) in the amount of $225 million that were outstanding at December 31, 2004. The Notes bore interest at 8.125% payable in cash semi-annually, in arrears on March 15 and September 15 each year. The Notes were subordinated to all senior debt. On September 28, 2005, the Company completed a tender offer for all of the Company s $225 million senior subordinated notes. The purchase price for the senior subordinated notes was $1,057.61 per $1,000 principal amount tendered, which included a consent payment of $20 per $1,000 principal amount tendered, for a total of approximately $238 million.

The loss on debt extinguishment was approximately $28.0 million for the year ended December 31, 2005. The loss on debt extinguishment was primarily attributable to the premium that the Company paid for the completion of the tender offer for the Company s $225 million senior subordinated notes, the write-off of the costs associated with those notes, the write-off of the costs associated with the former $400 million syndicated bank credit facility and a charge for a portion of the fees associated with the new $650 million senior secured syndicated bank credit facility.

8. INCOME TAXES

The provision (benefit) for income taxes from continuing operations for the years ended December 31, 2006, 2005 and 2004 is as follows (in millions):

	2006	2005	2004
Current			
Federal	$ 1.9	$	$
State	1.5	1.6	1.2
Foreign	0.2	0.1	0.2
Deferred	(8.1)	(4.0)	5.6
	$ (4.5)	$ (2.3)	$ 7.0

The income tax provision (benefit) differs from the amount of income tax determined by applying the U.S. federal income tax rate of 34% to pre-tax income for the years ended December 31, 2006, 2005 and 2004 due to the following (in millions):

	2006	2005	2004
Computed expected tax provision (benefit)	$ (47.2)	$ (4.2)	$ 4.4
Change in income tax resulting from:			
State taxes, net of federal benefit	(1.9)	0.1	2.4
Reduction of state net operating loss carryforward		1.3	
Goodwill impairment	49.0		
Change in state rate	(3.5)		
Other	(0.9)	0.5	0.2
	$ (4.5)	$ (2.3)	$ 7.0

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The components of the deferred tax assets and liabilities at December 31, 2006 and 2005 consist of the following (in millions):

	2006	2005
Deferred tax assets:		
Accrued expenses	$ 6.8	$ 5.1
Accounts receivable	2.0	2.0
Net operating loss carryforward	27.3	57.9
Deferred state taxes	10.2	
Stock-based compensation	1.6	1.1
AMT credit	2.0	
Other	4.2	
	$ 54.1	$ 66.1
Deferred tax liabilities:		
Intangible assets	$ (164.1)	$ (187.9)
Property and equipment	(9.5)	(8.8)
Fair value of interest rate swap agreements	(2.6)	(1.5)
Other	(2.0)	
	(178.2)	(198.2)
	$ (124.1)	$ (132.1)

Deferred income tax amounts are classified on the balance sheet as follows:

	2006	2005
Current assets	$ 6.7	$ 36.5
Long-term liabilities	(130.8)	(168.6)
	$ (124.1)	$ (132.1)

At December 31, 2006, the Company has federal net operating loss carryforwards of approximately $77.2 million available to offset future taxable income expiring in 2022 through 2025. A significant portion of the net operating loss carryforward was utilized from the sale of appreciated property in 2006. No valuation allowance is provided for net operating loss carryforward amounts as management believes it is more likely than not that future taxable income will recover this asset.

As of December 31, 2006 the Company s utilization of its available net operating loss carryforwards against future taxable income is not restricted pursuant to the change in ownership rules in Section 382 of the Internal Revenue Code. However in subsequent periods, the utilization of its available net operating loss carryforwards against future taxable income may be restricted pursuant to the change in ownership rules in Section 382 of the Internal Revenue Code. These rules in general provide that an ownership change occurs when the percentage shareholdings of 5% direct or indirect shareholders of a loss corporation have in aggregate increased by more than 50 percentage points during the immediately preceding three years.

9. COMMITMENTS

The Company has agreements with certain media research and ratings providers, expiring at various dates through December 2011, to provide television and radio audience measurement services. Pursuant to these

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

agreements, the Company is obligated to pay these providers a total of approximately $39.5 million. The annual commitments range from $4.2 million to $9.1 million.

The Company leases facilities and broadcast equipment under various operating lease agreements with various terms and conditions, expiring at various dates through November 2050.

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 2012. The Company also leases approximately 38,000 square feet of space in the building housing its radio network and its outdoor division headquarters in Los Angeles, California, under a lease expiring in 2016.

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 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. Substantially all of the Company s outdoor advertising structures are located on property pursuant to leases that automatically renew unless either the property owner or the Company opts out upon proper notice.

The approximate future minimum lease payments under these operating leases at December 31, 2006 are as follows (in millions):

	Amount
2007	$ 10.5
2008	9.0
2009	8.1
2010	7.0
2011	5.6
Thereafter	33.3
	$ 73.5

Total rent expense under operating leases, including rent under month-to-month arrangements, was approximately $30.0 million, $29.2 million and $27.1 million for the years ended December 31, 2006, 2005 and 2004, respectively.

The Company has an affiliation agreement that grants Telemundo a 20% interest in the sale purchase price, or the appreciation of the fair market value, of XHAS-TV above $31 million, plus capital expenditures and certain other adjustments, upon certain liquidity events as defined in the agreements. Management has determined that no appreciation liability currently exists.

Employment Agreements

The Company has entered into employment agreements (the Agreements) with two executive officers, who are also stockholders and directors, through December 2010. The Agreements provide that a minimum annual base salary and a bonus be paid to each of the executives. The Company accrued approximately $1.2 million, $1.2 million and $0.9 million of bonuses payable to these executives for the years ended December 31, 2006, 2005 and 2004, respectively. Additionally, the Agreements provide for a continuation of each executive s

F-26

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 Agreements.

10. 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 A, B and U. 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.

Treasury Stock

On November 1, 2006, the Company s Board of Directors approved a stock repurchase program. The Company is authorized to repurchase up to $100 million of its outstanding Class A common stock from time to time in open market transactions at prevailing market prices, block trades and private purchases. The extent and timing of any repurchases will depend on market conditions and other factors. The Company intends to finance stock repurchases, if and when made, with available cash on hand and cash provided by operations. As of December 31, 2006, the Company repurchased approximately 1.2 million shares at an average price of $7.42 for an aggregate purchase price of approximately $8.8 million.

Preferred Stock

The Company is authorized to issue up to 50 million shares of preferred stock with a par value of $0.0001, in one or more series. The Board is authorized to establish the number of shares to be included in each series, and to fix the designation, powers, preferences and rights of the shares of each series as well as any qualifications, limitations or restrictions. As of December 31, 2006 and 2005, the Company had no shares of preferred stock outstanding.

The Company previously had designated 11,000,000 shares of preferred stock as Series A mandatorily redeemable convertible preferred stock, of which 5,865,102 shares were issued and held by TSG Capital Fund III, L.P. In July 2004, the Company repurchased 2,542,006 shares of Series A preferred stock for $55 million. The Company repurchased the remaining 3,323,096 shares of Series A preferred stock in September 2004 for $73.2 million. The $55 million and $73.2 million payments included premiums of approximately $3.7 million and $3.6 million to such shares carrying value (or $1.3 million and $1.5 million premiums to the liquidation value), respectively, as of the dates of the repurchases. These premiums were included in accretion of preferred

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

stock redemption value and are reflected as a reduction in the Company s net income applicable to common stockholders and the related earnings per share for the year ended December 31, 2004.

As of December 31, 2005, the Series A preferred stock had been retired and the shares issued had the status of authorized but unissued shares of preferred stock.

11. 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.

On October 6, 2005, the Compensation Committee of the Board of Directors of the Company authorized accelerating the vesting of all of the Company s outstanding unvested stock options granted under the Company s 2000 Omnibus Equity Incentive Plan and the 2004 Equity Incentive Plan with an exercise price greater than $7.80 per share, the closing price of the Company s Class A common stock on the New York Stock Exchange as of that date. As a result of the vesting acceleration, options to acquire approximately 4.7 million shares of the Company s Class A common stock (the Accelerated Options), which otherwise would have vested from time to time over the next four years, become immediately exercisable. All other terms and conditions applicable to the Accelerated Options remain in effect.

The Compensation Committee s decision to accelerate the vesting of the Accelerated Options was based upon the issuance by the Financial Accounting Standards Board (FASB) of SFAS No. 123R, which required the Company to record compensation expense for unvested stock options beginning January 1, 2006. The Compensation Committee believes that the acceleration of vesting of these out-of-the-money stock options currently have limited economic value and are not achieving their original objectives of incentive compensation and employee retention because the exercise price is currently in excess of the market price of the Company s Class A common stock.

Cash received from all share-based payment arrangements for the year ended December 31, 2006 was $3.8 million.

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The actual tax benefit realized for the tax deductions from option exercise of the share-based payment arrangements for the year ended December 31, 2006 was $0.1 million.

The total excess tax benefits from all share-based payment arrangements reflected as a financing cash inflow for the year ended December 31, 2006 was $0.1 million.

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. 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 the mid-point of the contractual life and the vesting periods 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 or modified was estimated using the following weighted-average assumptions:

	Year Ended December 31,		
	2006	**2005(1)**	**2004(1)**
Fair value of options granted		$ 4.57	$ 6.15
Expected volatility	54%	55% to 59%	60% to 66%
Risk-free interest rate	4.7%	3.7 to 4.5%	2.9% to 3.9%
Expected lives	6.3 years	6.0 years	6.0 years
Dividend rate			

(1) Estimated values and assumptions used in the calculation of fair value prior to the adoption of SFAS 123R.

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 January 1, 2004	7,788	$ 12.51		
Granted	2,450	9.94		
Exercised	(34)	6.81		
Forfeited or cancelled	(1,293)	12.78		
Outstanding at December 31, 2004	8,911	11.71		
Granted	3,193	7.84		
Exercised	(78)	6.49		
Forfeited or cancelled	(1,057)	10.83		
Outstanding at December 31, 2005	10,969	10.75		
Granted				
Exercised	(415)	7.54		
Forfeited or cancelled	(691)	11.20		
Outstanding at December 31, 2006	9,863	$ 10.85	5.79	$ 2,660
Vested or expected to vest at December 31, 2006	9,817	$ 10.87	5.79	$ 2,604
Exercisable at December 31, 2006	9,542	$ 10.99	5.77	$ 2,185

The following table summarizes information about stock options outstanding at December 31, 2006 (in thousands, except exercise price data and contractual life data):

	Options Outstanding			Options Exercisable	
Price Range	Number	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number	Weighted Average Exercise Price

$14.90 16.69	2,405	3.37	$ 16.51	2,406	$ 16.51
$9.80 12.42	3,558	5.71	10.65	3,558	10.65
$6.49 9.43	3,900	7.35	7.55	3,578	7.62
	9,863	5.79	$ 10.85	9,542	$ 10.99

Stock-based compensation expense related to the Company s employee stock option plans was $1.4 million for the year ended December 31, 2006.

As of December 31, 2006, there was approximately $0.7 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 0.5 years.

The total intrinsic value of stock options exercised during year ended December 31, 2006 was $0.4 million.

The following table illustrates the pro forma effect on net loss and net loss per share had employee compensation costs for the stock-based compensation plan been determined based on grant date fair values of

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

awards under the provisions of SFAS No. 123, for the years ended December 31, 2005 and 2004. (in thousands, except per share data):

	2005(1)	2004
Net loss applicable to common shareholders		
As reported	$ (9,657)	$ (9,749)
Deduct: Total stock-based employee compensation expense determined under fair value-based method for all awards, net of related tax effects	(20,609)	(9,707)
Pro forma	$ (30,266)	$ (19,456)
Net loss per share, basic and diluted		
As reported	$ (0.08)	$ (0.09)
Pro forma	$ (0.24)	$ (0.18)

(1) Includes stock-based compensation expense related to Accelerated Options.

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 at January 1, 2006		
Granted	548	$ 7.15
Vested		
Forfeited or cancelled	(13)	$ 7.00
Nonvested at December 31, 2006	535	$ 7.16

Stock-based compensation expense related to grants of restricted stock and restricted stock units was $0.4 million for the year ended December 31, 2006.

As of December 31, 2006, there was approximately $3.3 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 2.8 years.

Employee Stock Purchase Plan

The Company s 2001 Employee Stock Purchase Plan (the Purchase Plan) provides that the maximum number of shares of Class A common stock that will be made available for sale under the Purchase Plan is 600,000, plus an annual increase of 600,000 shares on the first day of each of the ten calendar years beginning in 2002. All of the Company s employees are eligible to participate in the Purchase Plan, provided that they have completed six months of continuous service as an employee as of an offering date. Under the terms of the Purchase Plan, employees may elect to have up to 15% of their compensation withheld to purchase shares during each offering period. There are two offering periods annually under the Purchase Plan, one which commences on February 15 and concludes on August 14, and the other which commences on August 15 and concludes on the following February 14. The purchase price of the stock is 85% of the lower of the day preceding the

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

beginning-of-period or end-of-period closing market price. There was approximately $0.9 and $0.9 million withheld from employees for the offering periods in each of the years ended December 31, 2006 and 2005.

Stock-based compensation expense related to the Purchase Plan for the year ended December 31, 2006 was $0.2 million.

Nonemployee Stock-Based Compensation

On May 1, 2006, the Company entered into an amendment to the 2004 Plan that resulted in the reclassification of the fair value of vested stock options granted to nonemployee service providers previously classified as liabilities to equity as additional paid-in capital. The aggregate fair value of vested nonemployee stock-based awards reclassified to equity at the amendment date was $2.5 million.

Stock-based compensation expense related to nonemployee stock option awards for the years ended December 31, 2006, 2005 and 2004 was $0.8 million, $1.2 million and $0.1 million, respectively.

12. RELATED-PARTY TRANSACTIONS

At December 31, 2006 Univision owns less than 15% of the Company s common stock on a fully-converted basis. As of December 31, 2005, Univision owned approximately 30% of our common stock on a fully-converted basis. In connection with Univision s merger with Hispanic Broadcasting Corporation (HBC) in September 2003, Univision entered into an agreement with the U.S. Department of Justice (DOJ), pursuant to which Univision agreed, among other things, to ensure that its percentage ownership of the Company would not exceed 15% by March 26, 2006 and will not exceed 10% by March 26, 2009.

In January 2006, the Company sold the assets of radio stations KBRG-FM and KLOK-AM, serving the San Francisco/San Jose, California market, to Univision for $90 million. Univision paid the full amount of the purchase price in the form of 12,573,871 shares of the Company s Class U common stock held by Univision based on the ten-day volume weighted average share price of $7.1577 between December 15, 2005 and December 29, 2005.

In March 2006, the Company repurchased seven million shares of Class U common stock held by Univision for $51.1 million.

In July 2006, the Company repurchased 175,000 shares of Class U common stock held by Univision for $1.4 million.

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

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Univision provides network compensation to the Company and acts as the Company s exclusive sales representative for the sale of all national advertising aired on Univision-affiliate television stations. The following tables reflect the related-party balances with Univision and other related parties (in thousands):

	Univision		Other		Total	
	2006	2005	2006	2005	2006	2005
Other current assets	$	$	$ 274	$ 691	$ 274	$ 691
Other assets						
Intangible assets subject to amortization, net	34,802	37,122			34,802	37,122
Current maturities on long-term debt			1,000	1,000	1,000	1,000
Advances payable			118	118	118	118
Accounts payable	2,933	2,027	757	775	3,690	2,802
Long-term debt, less current maturities			4,000	5,000	4,000	5,000

	Univision			Other			Total		
	2006	2005	2004	2006	2005	2004	2006	2005	2004
Net revenue	$ 600	$ 605	$ 1,301	$	$	$	$ 600	$ 605	$ 1,301
Direct operating expenses (1)	10,385	9,304	9,602	2,037	2,210	2,359	12,422	11,514	11,961
Amortization	2,320	2,320	2,320				2,320	2,320	2,320
Interest expense				315	373	436	315	373	436

(1) Consists primarily of national representation fees paid to Univision and Lotus/Entravision Reps LLC.

13. LITIGATION

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

14. SUBSEQUENT EVENT

In February 2007, the Company entered into an additional interest rate swap agreement with a $63 million aggregate notional amount, with quarterly increases, that expires on October 1, 2010. This interest rate swap agreement converts a portion of the variable rate term loan into a fixed rate obligation of 6.56%, which includes a margin of 1.50%. The quarterly increases of this swap agreement match the quarterly reductions of the three previous interest rate swap agreements. Therefore, it is expected that the term loan amounts will not exceed the notional amount of the four interest rate swap agreements. This interest rate swap agreement will not be designated for hedge accounting treatment under the provisions of Statement of Financial Accounting Standards No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and as a result, changes in the fair values will be reflected in earnings as a component of interest expense.

15. SEGMENT DATA

Segment operating profit (loss) is defined as operating profit (loss) before corporate expenses and non-cash stock-based compensation. There were no significant sources of revenue generated outside the United States during the years ended December 31, 2006, 2005 and 2004. There was approximately $19.3 million, $18.8 million and $1.8 million of assets in Mexico at December 31, 2006, 2005 and 2004, respectively.

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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,		
	2006	**2005**	**2004**
Net Revenue			
Television	$ 158,466	$ 146,184	$ 135,866
Radio	96,668	100,582	92,239
Outdoor	36,618	34,198	30,948
Consolidated	291,752	280,964	259,053
Direct operating expenses			
Television	61,620	58,420	55,498
Radio	36,686	37,775	35,182
Outdoor	25,492	24,090	21,894
Consolidated	123,798	120,285	112,574
Selling, general and administrative expenses			
Television	23,902	22,524	21,217
Radio	22,358	24,310	23,615
Outdoor	5,733	4,921	4,960
Consolidated	51,993	51,755	49,792
Depreciation and amortization			
Television	15,374	15,485	14,126
Radio	6,395	8,317	7,292
Outdoor	22,921	22,609	21,377
Consolidated	44,690	46,411	42,795
Segment operating profit (loss)			
Television	57,570	49,755	45,025
Radio	31,229	30,180	26,150
Outdoor	(17,528)	(17,422)	(17,283)
Consolidated	71,271	62,513	53,892
Corporate expenses	18,851	17,513	16,860
Gain on sale of assets	(26,160)		(3,487)

Impairment charge	189,661		
Operating income (loss)	$ (111,081)	$ 45,000	$ 40,519
Capital expenditures			
Television	$ 18,576	$ 14,843	$ 10,494
Radio	3,185	3,347	3,311
Outdoor	2,041	1,664	1,767
Consolidated	$ 23,802	$ 19,854	$ 15,572
Total assets			
Television	$ 529,478	$ 493,904	$ 420,588
Radio	713,855	984,559	1,053,754
Outdoor	175,331	195,242	215,370
Assets held for sale (Radio)		69,454	
Consolidated	$ 1,418,664	$ 1,743,159	$ 1,689,712

F-34

Table of Contents

ENTRAVISION COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

16. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

The following is a summary of the quarterly results of operations for the years ended December 31, 2006 and 2005 (in thousands, except per share data):

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year ended December 31, 2006:					
Net revenue	$ 59,919	$ 79,289	$ 78,309	$ 74,235	$ 291,752
Net income (loss)	12,119	(167,998)	(108)	21,388	(134,599)
Net income (loss) per share, basic and diluted	$ 0.11	$ (1.60)	$ (0.00)	$ 0.20	$ (1.27)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Total
Year ended December 31, 2005:					
Net revenue	$ 57,155	$ 75,109	$ 75,537	$ 73,163	$ 280,964
Net income (loss)	(4,485)	4,231	(12,820)	3,417	(9,657)
Net income (loss) per share, basic and diluted	$ (0.04)	$ 0.03	$ (0.10)	$ 0.03	$ (0.08)

Table of Contents

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, 2006	$ 5,073	$ 1,939	$ 338	$ (2,502)	$ 4,848
Year ended December 31, 2005	5,332	1,664	217	(2,140)	5,073
Year ended December 31, 2004	4,749	2,791	696	(2,904)	5,332

(1) Other adjustments represent recoveries and increases in the allowance for doubtful accounts, including changes in connection with acquisitions and dispositions.

F-36