

ENTRAVISION COMMUNICATIONS CORP

Form 10-K

March 10, 2017

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

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the Fiscal Year Ended December 31, 2016

OR

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

For the Transition Period from                      to

Commission File Number 1-15997

ENTRAVISION COMMUNICATIONS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware                                      95-4783236  
(State or other jurisdiction of      (I.R.S. Employer

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incorporation or organization) 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

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

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

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

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 30, 2016 was approximately \$494,727,180 (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 6, 2017, there were 65,931,256 shares, \$0.0001 par value per share, of the registrant's Class A common stock outstanding, 14,927,613 shares, \$0.0001 par value per share, of the registrant's Class B common stock outstanding and 9,352,729 shares, \$0.0001 par value per share, of the registrant's Class U common stock outstanding.

Portions of the registrant's Proxy Statement for the 2017 Annual Meeting of Stockholders scheduled to be held on May 25, 2017 are incorporated by a reference in Part III hereof.

ENTRAVISION COMMUNICATIONS CORPORATION

FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2016

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## FORWARD-LOOKING STATEMENTS

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

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

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

- risks related to our substantial indebtedness or our ability to raise capital;
- provisions of our debt instruments, including the agreement dated as of May 31, 2013, or the 2013 Credit Agreement, which governs our current credit facility, or the 2013 Credit Facility, the terms of which restrict certain aspects of the operation of our business;
- our continued compliance with all of our obligations, including financial covenants and ratios, under the 2013 Credit Agreement;
- cancellations or reductions of advertising due to the then current economic environment or otherwise;
- advertising rates remaining constant or decreasing;
- rapid changes in digital media advertising;
- the impact of rigorous competition in Spanish-language media and in the advertising industry generally;
- the impact on our business, if any, as a result of changes in the way market share is measured by third parties;
- our relationship with Univision Communications Inc., or Univision;
- the extent to which we continue to generate revenue under retransmission consent agreements;
- subject to restrictions contained in the 2013 Credit Agreement, the overall success of our acquisition strategy and the integration of any acquired assets with our existing operations;
- industry-wide market factors and regulatory and other developments affecting our operations;
- economic uncertainty;
- the impact of any potential future impairment of our assets;
- risks related to changes in accounting interpretations; and
- the impact, including additional costs, of mandates and other obligations that may be imposed upon us as a result of new federal healthcare laws, including the Affordable Care Act, the rules and regulations promulgated thereunder, any executive action with respect thereto, and any changes with respect to any of the foregoing in the 115<sup>th</sup> Congress.

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 29 below.

## ITEM 1. BUSINESS

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

### Overview

#### Introduction

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

We own and/or operate 54 primary television stations located primarily in California, Colorado, Connecticut, Florida, Kansas, Massachusetts, Nevada, New Mexico, Texas and Washington, D.C. Our television operations comprise the largest affiliate group of both the top-ranked Univision television network and Univision's UniMás network, with television stations in 20 of the nation's top 50 U.S. Hispanic markets. Univision's primary network is the most watched television network (English- or Spanish-language) among U.S. Hispanic households during primetime. Univision is a key source of programming for our television broadcasting business and we consider it to be a valuable strategic partner of ours. For a more complete discussion of our relationship with Univision, please see "Our Relationship with Univision" and "Television – Television Programming" below and "Management's Discussion and Analysis of Financial Condition and Results of Operations – Overview"; and for a discussion of various risks related to our relationship with Univision, please see "Risk Factors."

We own and operate one of the largest groups of primarily Spanish-language radio stations in the United States. We own and operate 49 radio stations in 18 U.S. markets. Our radio stations consist of 38 FM and 11 AM stations located in Arizona, California, Colorado, Florida, Nevada, New Mexico and Texas. We also operate Entravision Solutions as our national sales representation division, through which we sell advertisements and syndicate radio programming to more than 300 stations across the United States.

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

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

revenue is generally higher during presidential election years (2016, 2020, etc.) resulting from significant political advertising and, to a lesser degree, Congressional off-year election years (2018, 2022, etc.), resulting from increased political advertising, compared to other years.

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

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

Our net revenue for the year ended December 31, 2016 was approximately \$258.5 million. Of this amount, revenue generated by our television segment accounted for approximately 62%, revenue generated by our radio segment accounted for approximately 29%, and revenue generated by our digital media segment accounted for approximately 9%, of total revenue.

Our primary expenses are employee compensation, including commissions paid to our sales staff and amounts paid to our national representative firms, as well as expenses for general and administrative functions, promotion and selling, engineering, marketing, and local programming. Our local programming costs for television consist primarily of costs related to producing a local newscast in most of our markets. In addition, cost of revenue related to our digital media segment consists primarily of the costs of online media acquired from third-party publishers.

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

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

## Business Strategy

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

• **U.S. Hispanic Population Growth.** Our audience consists primarily of Hispanics, one of the fastest-growing segments of the U.S. population and, by current U.S. Census Bureau estimates, now the largest minority group in the United States. More than 56 million Hispanics live in the United States, accounting for nearly 18% of the total U.S. population. The overall Hispanic population is growing at eight times the rate of the non-Hispanic population and is expected to grow to 68 million, or approximately 20% of the total U.S. population, by 2021. Approximately 51% of the total future growth in the U.S. population through 2021 is expected to come from the Hispanic community.

• **Spanish-Language Use.** Approximately 78% of Hispanics age five and over in the United States speak some Spanish, while approximately 64% of U.S. Hispanics are bilingual and 33% are Spanish dominant.

• **Increasing U.S. Hispanic Buying Power.** The U.S. Hispanic population is projected to have accounted for total consumer expenditures of over \$758 billion in 2016. With an average of \$71,000 in 2016, Hispanic household income is growing at a faster rate than Non-Hispanic household income and is projected to reach an aggregate of \$1.2 trillion in 2021.

• **Attractive Profile of U.S. Hispanic Consumers.** We believe that the demographic profile of the U.S. Hispanic audience makes it attractive to advertisers. We also believe that the larger average size and younger median age of Hispanic households (averaging 3.4 persons and 30.5 years of age as compared to the U.S. non-Hispanic averages of 2.4 persons and 43.2 years of age) lead Hispanics to spend more per household in 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 8% more per year than the average U.S. non-Hispanic household on food at home, 41% more on restaurants, 58% more on children's clothing, 45% more on footwear, 35% more on soaps, detergents and other cleaning products and 20% more on cellular phone services. 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 \$7.8 billion of total advertising expenditures in the United States were placed with Spanish-language media in 2015, the most recent year for which such data are available, of which approximately 85% was placed with Spanish-language television and radio advertising.

We seek to increase our revenue through the following strategies:

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

Our television operations comprise the largest affiliate group of both the top-ranked Univision primary television network and Univision's UniMás network. According to Univision, its primary network, together with its UniMás network, represented approximately a 56% share of the U.S. Spanish-language network television prime time audience of persons 2+ years of age as of May 2016. In addition, Univision reports that the UniMás network had more viewers 2+ years of age, adults ages 18-49 and adults ages 18-34 than the combined audience of Azteca, Estrella TV and MundoMax across seven out of the eight key daily broadcast time segments in 2016. Univision makes its networks' Spanish-language programming available to our television stations 24 hours a day, seven days a week, including a prime time schedule on its primary network of substantially all first-run programming throughout the year. We believe that the breadth and diversity of Univision's programming, combined with our local news and community-oriented segments, provide us with an advantage over other Spanish-language and English-language media in reaching U.S. Hispanic viewers. Our local content is designed to meet the needs of our communities and brand each of our stations as the best source for relevant community information that accurately reflects local interests and needs.

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

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

**Distribute News and Other Content Across Our Television, Radio and Digital Properties.** We develop our own news, entertainment and lifestyle content and radio shows including "Erazno y La Chokolata", and produce a Sunday morning political talk show, "Perspectiva Nacional". We also employ our own White House correspondent in Washington, D.C. We distribute this content across our television, radio and digital properties. In addition, through Entravision Solutions, we syndicate certain of our radio shows including "Erazno y La Chokolata" and other programs including "El Show de Piolin" and "El Show de Alex 'El Genio' Lucas" across a network of more than 300 radio stations, which includes our radio stations as well as other radio stations that we do not own or operate, in 105 markets throughout the United States. Moreover, we broadcast National Football League games, such as Sunday Night Football, the American Football Conference playoffs and Super Bowl LI, in Spanish for 28 radio stations, including our radio stations as well as other radio stations that we do not own or operate.

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

**Continuing to Offer Advertisers an Integrated Platform of Services.** We believe that our uniquely diversified media portfolio provides us with a competitive advantage in targeting the Hispanic consumer. We offer advertisers the opportunity to reach potential customers through an integrated platform of services that includes television, radio and digital properties. Currently, we operate some combination of television and radio in 11 markets, which we sometimes

refer to as combination markets, and, where possible, we also combine our television and radio operations to create synergies and achieve cost savings. In all of our markets, our digital offerings supplement our television and/or radio operations in an effort to create value-added advertising opportunities for our advertisers.

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

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

## Acquisition and Disposition Strategies

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

One of our goals has been to create and grow our combination markets, featuring Spanish-language television stations, together with a strong radio presence and digital properties. We believe that these combination markets provide unique cross-selling and cross-promotional opportunities, making us an attractive option for advertisers wishing to reach U.S. Hispanic audiences and consumers. Accordingly, we have focused on potential acquisitions of additional media properties in our existing markets that will enhance our offerings to the U.S. Hispanic marketplace. In addition, we plan to continue to evaluate opportunities to acquire businesses that connect advertisers with U.S. Hispanic audiences and consumers.

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

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

## Our Relationship with Univision

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

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

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

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, which expired in December 2014, and which Univision and we have extended from time-to-time, most recently through March 31, 2017. Among other things, the proxy agreement provides terms relating to compensation to be paid to us by Univision with respect to retransmission consent agreements entered into with MVPDs. During the years ended December 31, 2016 and 2015, retransmission consent revenue accounted for approximately \$29.6 million and \$27.9 million, respectively. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. We have entered into multiple short-term extensions of the proxy agreement since its December 2014 expiration, and it is our current intention to negotiate with Univision one or more further extensions of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

Univision currently owns approximately 10% of our common stock on a fully-converted basis. Our Class U common stock held by Univision has limited voting rights and does not include the right to elect directors. As the holder of all of our issued and outstanding Class U common stock, so long as Univision holds a certain number of shares, we may not, without the consent of

Univision, merge, consolidate or enter into another business combination, dissolve or liquidate our company or dispose of any interest in any Federal Communications Commission, or FCC, license for any of our Univision-affiliated television stations, among other things. Each share of Class U common stock is automatically convertible into one share of Class A common stock (subject to adjustment for stock splits, dividends or combinations) in connection with any transfer to a third party that is not an affiliate of Univision.

## Television

### Overview

We own and/or operate Univision-affiliated television stations in 24 markets, including 20 of the top 50 Hispanic markets in the United States. Our television operations comprise the largest affiliate group of both the top-ranked Univision primary television network and Univision's UniMás network. Univision's primary network is among the most-watched broadcast television networks among U.S. Hispanics, available in approximately 93% of U.S. Hispanic television households, and is the most watched television network (English- or Spanish-language) among U.S. Hispanic households during prime time. Univision's primary network, together with its UniMás network, represented approximately a 56% share of the U.S. Spanish-language network television prime time audience of persons 2+ years of age as of May 2016. We operate both Univision and UniMás affiliates in 20 of our 24 television markets. Univision's networks make their Spanish-language programming available to our Univision-affiliated stations 24 hours a day, seven days a week. Univision's prime time schedule on its primary network consists of substantially all first-run programming throughout the year.

### Television Programming

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

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

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

**Our Local Programming.** We believe that our local news brands our stations in our television markets. We shape our local news to relate to and inform our audiences. Our early local news is ranked first or second among competing local newscasts regardless of language in its designated time slot in 11 of our television markets among adults 18-49 years

of age, and in 13 markets 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 UniMás-affiliated television stations. Our network affiliation agreements with Univision provide certain of our owned stations the exclusive right to broadcast Univision's primary network and UniMás network programming in their respective markets. These long-term affiliation agreements each expire in 2021, and can be renewed for multiple, successive two-year terms at Univision's option, subject to our consent. Under our Univision network affiliation agreement, we retain the right to sell approximately six minutes per hour of the available advertising time on Univision's primary network, subject to adjustment from time to time by Univision, but in no event less than four minutes.

Under our UniMás network affiliation agreement, we retain the right to sell approximately four and a half minutes per hour of the available advertising time on the UniMás network, subject to adjustment from time to time by Univision.

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

Our network affiliation agreements with Azteca International Corporation, or Azteca, gives us the right to broadcast Azteca America network programming on XHAS, serving the Tijuana/San Diego market, beginning on July 1, 2017 through June 30, 2020, and on the secondary program stream of XDTV, serving the Tecate/San Diego market, beginning on March 15, 2017 through July 16, 2017, as well as on the secondary program streams of KXOF-CD, serving the Laredo market, and KVYE-TV, serving the Yuma-El Centro market, through February 12, 2020.

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

We also have an agreement with Master Distribution Service, Inc., an affiliate of Fox, which gives us the right to provide ten hours per week of MyNetworkTV network programming on KFXV-LD, KXOF-CD and XDTV-TV, serving the Tecate/San Diego market. This agreement expires in October 2017 and may be extended for successive one-year periods by mutual consent of the parties.

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

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

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

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

**Long-Term Time Brokerage Agreements.** We program each of XDTV-TV, serving the Tecate/San Diego market; XHAS-TV, serving the Tijuana/San Diego market; and XHRIO-TV, serving the Matamoros/Harlingen-Weslaco-Brownsville-McAllen market, under long-term time brokerage agreements. Under those agreements, in combination with certain of our Mexican affiliates and subsidiaries, we provide the programming and related services available on these stations, but the station owners retain absolute control of the content and other

broadcast issues. These long-term time brokerage agreements expire in 2038, 2040 and 2045, respectively, and each provides for automatic, perpetual 30-year renewals unless both parties consent to termination. Each of these agreements provides for substantial financial penalties should the other party attempt to terminate prior to its expiration without our consent, and they do not limit the availability of specific performance as a remedy for any such attempted early termination.

Our Television Station Portfolio

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

Market	Market Rank (by Hispanic Households)	Total Households	Hispanic Households	% Hispanic	Call Letters	Principal Programming
Harlingen-Weslaco-Brownsville-McAllen, Texas	10	368,960	321,630	87.2 %	KNVO-TV	Stream Univision
					KTFV-CD (1)	UniMás
					KFXV-LD	Fox
					KXFX-CD (1)	Fox
Orlando-Daytona Beach-Melbourne, Florida	12	1,519,570	269,320	17.7 %	KCWT-CD (1)	CW
					WVEN-TV	Univision
					W47DA	Univision
					WVCI-LP	Univision
San Diego, California	13	1,065,700	268,410	25.2 %	WOTF-TV (2)	UniMás
					KBNT-CD (1)	Univision
					KHAX-LP	Univision
					KDTF-LD	UniMás
Albuquerque-Santa Fe, New Mexico	15	677,590	263,850	38.9 %	KTCD-LP	LATV
					KLUZ-TV	Univision
					KTFQ-TV (2)	UniMás
					KTFA-LP	Home Shopping
Denver-Boulder, Colorado	17	1,630,380	252,820	15.5 %	KCEC-TV	Network Univision
					KTFD-TV (2)	UniMás

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						KDVT-LP	LATV
Washington, D.C. (Hagerstown, Maryland)	18	2,476,680	251,970	10.2 %		WFDC-TV (2)	Univision
						WMDO-CD (1)	UniMás
						WJAL-TV	English-
							Language
Tampa-St. Petersburg (Sarasota), Florida	19	1,908,590	247,790	13.0 %		WVEA-TV	Univision
						WFTT-TV (2)	UniMás
El Paso, Texas	20	333,270	240,860	72.3 %		KINT-TV	Univision
						KTFN-TV	UniMás
Boston, Massachusetts	21	2,424,240	189,970	7.8 %		WUNI-TV	Univision
						WUTF-TV (2)	UniMás
Las Vegas, Nevada	24	757,840	171,750	22.7 %		KINC-TV	Univision
						KNTL-LP	Univision
						KWWB-LP	Univision
						KELV-LD	UniMás
Corpus Christi, Texas	28	209,760	119,130	56.8 %		KORO-TV	Univision
						KCRP-CD (1)	UniMás
Hartford-New Haven, Connecticut	29	963,950	110,130	11.4 %		WUVN-TV	Univision
						WUTH-CD (1)	UniMás
Monterey-Salinas-Santa Cruz, California	34	226,630	81,360	35.9 %		KSMS-TV	Univision
						KDJT-CD (1)	UniMás
						KCBA-TV (2)	Fox
Odessa-Midland, Texas	36	163,450	75,620	46.3 %		KUPB-TV	Univision
Laredo, Texas	38	74,330	70,040	94.2 %		KLDO-TV	Univision
						KETF-CD (1)	UniMás
						KXOF-CD (1)	Fox
Yuma, Arizona-El Centro, California	39	109,930	69,050	62.8 %		KVYE-TV	Univision
						KAJB-TV (2)	UniMás

Market	Market Rank				%	Call Letters	Principal Programming
	(by Hispanic Households)	Total Households	Hispanic Households	Hispanic Households			
Colorado Springs-Pueblo, Colorado	42	354,190	63,790	18.0	%	KVSN-TV	Univision
						KGHB-CD (1)	UniMás
Santa Barbara-Santa Maria-San Luis Obispo, California	46	226,940	58,350	25.7	%	KPMR-TV	Univision
						K17GD-D (1)	Univision
						K50LZ-D (1)	Univision
						KTSB-CD (1)	UniMás
Palm Springs, California	49	158,010	56,820	36.0	%	K10OG-D (1)	UniMás
						KVER-CD (1)	Univision
						KVES-LD	Univision
						KEVC-CD (1)	UniMás
Lubbock, Texas	50	160,440	55,660	34.7	%	KBZO-LD	Univision
Wichita-Hutchinson, Kansas	56	439,760	45,420	10.3	%	KDCU-TV (3)	Univision
Reno, Nevada	62	260,630	40,200	15.4	%	KREN-TV	Univision
						KRNS-CD (1)	CW
Springfield-Holyoke, Massachusetts	64	249,430	37,740	15.1	%	WHTX-LD	Univision
San Angelo, Texas	91	56,680	19,000	33.5	%	KEUS-LD (1)	Univision
						KANG-LP	UniMás
Tecate, Baja California, Mexico (San Diego)	—	—	—	—		XDTV-TV (4)	MyNetworkTV
Tijuana, Baja California, Mexico (San Diego)	—	—	—	—		XHAS-TV (4)	Telemundo
Matamoros, Tamaulipas, Mexico (Harlingen-Weslaco-Brownsville-McAllen)	—	—	—	—		XHRIO-TV (4)	CW

Source: Nielsen Media Research 2017 universe estimates.

- (1) “CD” in call signs indicates that a station is operated as a Class A digital television service. Certain stations without this “CD” designation are also Class A stations.
- (2) We provide the sales and marketing function of this station under a marketing and sales arrangement.
- (3) We share operating services and sales and marketing functions with another broadcast station in the same market under a shared services and sales and marketing 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.

Digital Television Technology. As we continue to develop our digital television transmission technology for our television stations, we are operating in an environment where we can decide the resolution and number of broadcast streams we provide in our over-the-air transmissions. Depending upon how high a resolution level with which we elect to transmit our programming, we have the potential to transmit over-the-air broadcast streams containing multiple program streams using the bandwidth authorized to each digital station. The transmission of such multiple programming streams is referred to as multicasting. We currently are multicasting network programming streams, primarily UniMás network programming and LATV network programming streams, at a number of our stations, along with our primary program streams. In addition, we are multicasting CW, MyNetworkTV and other network programming in certain of our markets. We periodically evaluate these multicasting operations as well as the amount of bandwidth we must allocate to our primary program streams and may consider either expanding or limiting our multicasting operations, or keeping these multicasting operations substantially as at present, in the future. We also continue to monitor developments in digital television technology that offer the opportunity to marry elements of broadcasting and broadband along with higher levels of video resolution.

#### Television Advertising

Approximately 81% of the revenue generated from our television operations in 2016 was derived from local and national advertising.

Local. Local advertising revenue is generated predominantly from advertising time sold to an advertiser or its agency that is placed from within a station's market or directly with a station's sales staff. Local advertising sales include sales to advertisers that are local businesses or advertising agencies, and regional and national businesses or advertising agencies, which place orders from within a station's market or directly with a station's sales staff. We employ our own local sales force that is responsible for soliciting local advertising sales directly from advertisers and their agencies. In 2016, local advertising accounted for approximately 42% of our total television revenue.

National. National advertising revenue generally represents revenue from advertising time sold to an advertiser or its agency that is placed from outside a station's market. We typically engage national sales representative firms to work with our station sales managers and solicit national advertising sales, and we pay certain sales representation fees to these firms relating to national advertising sales. Under our network affiliation agreements with Univision, Univision acts as our sales representative for the sale of national advertising on our Univision and UniMás affiliate television stations, and advertisers which have purchased national advertising on these affiliate stations include Nissan Motor Co., Ltd., Fiat Chrysler Automobiles N.V., Charter Communications, Inc., McDonald's Corporation, Ford Motor Company, Cox Communications, Inc., Toyota Motor Corporation, H-E-B, Conn's, Inc., Service Employees International Union, and General Motors Company. Telemundo acts as our national sales representative for the sale of national advertising on our Telemundo affiliate station, and Entravision Solutions, one of our divisions, acts as our national sales representative for the sale of national advertising on our stations that broadcast Fox, CW and MyNetworkTV network programming. In 2016, national advertising accounted for approximately 39% of our total television revenue.

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

In August 2008, we entered into a proxy agreement with Univision pursuant to which we granted to Univision the right to negotiate the terms of retransmission consent agreements for our Univision- and UniMás-affiliated television station signals for a term of six years, which expired in December 2014, and which Univision and we have extended from time-to-time, most recently through March 31, 2017. Among other things, the proxy agreement provides terms relating to compensation to be paid to us by Univision with respect to retransmission consent agreements entered into with MVPDs. During the years ended December 31, 2016 and 2015, retransmission consent revenue accounted for approximately \$29.6 million and \$27.9 million, respectively. The term of the proxy agreement extends with respect to any MVPD for the length of the term of any retransmission consent agreement in effect before the expiration of the proxy agreement. We have entered into multiple short-term extensions of the proxy agreement since its December 2014 expiration, and it is our current intention to negotiate with Univision one or more further extensions of the current proxy agreement or a new proxy agreement; however, no assurance can be given regarding the terms of any such extension or new agreement or that any such extension or new agreement will be entered into.

As a result of the adoption of legislation in late 2014, modifying the Communications Act of 1934, or the Communications Act, we are no longer able to negotiate retransmission consent agreements with other television stations located in the same television market. The application of this statutory modification prevents us from negotiating with Univision in the six television markets where we and Univision both own television stations.

In 2016, retransmission consent revenue accounted for approximately 19% of our total television revenue. We anticipate that retransmission consent revenue will continue to be an important source of net revenues in future periods.

Channel Modification Revenue. We also generate revenue from agreements associated with television stations in order to accommodate the operations of telecommunications operators. In 2016, there was no such revenue.

#### Television Marketing/Audience Research

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

- the station's ratings (households or people viewing its programs as a percentage of total television households or people in the viewing area);
- audience share (households or people viewing its programs as a percentage of households or people actually watching television at a specific time);
- the demographic qualities of a program's viewers (primarily age and gender);

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- the demand for available air time;
- the time of day the advertising will run;
- competitive conditions in the station's market, including the availability of other advertising media; and
- general economic conditions, including advertisers' budgetary considerations.

Nielsen ratings provide advertisers with the industry-accepted measure of television viewing. Nielsen offers a ratings service measuring all television audience viewing. In recent years, Nielsen has modified the methodology of its ratings service in an effort to more accurately measure U.S. Hispanic viewing by using language spoken in the home as a control characteristic of its metered market sample. Nielsen has also added weighting by language as part of its local metered market methodology in many of our metered markets. Nielsen also continues to improve the methods by which it electronically measures television viewing, and has expanded its Local People Meter service to several of our markets. We believe that this improvement will continue to result in ratings gains for us, allowing us to further increase our advertising rates. We have made significant investments in experienced sales managers and account executives and have provided our sales professionals with research tools to continue to attract major advertisers.

### Television Competition

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

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 satellite systems, newspapers, magazines, radio, applications for mobile media devices and other forms of entertainment and advertising. In addition, in certain markets we operate radio stations that indirectly compete for local and national advertising revenue with our television business.

We believe that our primary competitive advantages are the quality of the programming we receive through our affiliation with Univision and the quality of our local news. According to Univision, its primary network is one of the top five networks in the United States regardless of language and is the most-watched Spanish-language network in the United States during prime time. In addition, Univision reports that its primary network and the UniMás network together have maintained superior audience ratings among all U.S. Hispanic households when compared to both Spanish-language and English-language broadcast networks. Similarly, our local news achieves strong audience ratings. Our early local news is ranked first or second among competing local newscasts regardless of language in its designated time slot in 11 of our television markets among adults 18-49 years of age and in 13 markets among adults 18-34 years of age.

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

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

### Radio

### Overview

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

## Radio Programming

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

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

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

•“La Tricolor” is a personality-driven format primarily targeting male Hispanic listeners 18-49 years of age, that includes “El Show de Piolin” in the morning drive, which airs on 17 of our stations, “Carla La Plebe” during midday hours, which airs on 13 of our stations, “Erazno y La Chokolata” in the afternoon drive, which airs on 18 of our stations and is syndicated on an additional 63 stations, and Mexican regional music;

•“José: Nunca Sabes Lo Que Va A Tocar” (“You never know what he’ll play”), which targets Hispanic adults 25-54 years of age, features a mix of Spanish-language adult contemporary and Mexican regional hits from the 1970s through the present; “El Genio” Alex Lucas in the mornings; “Armida y La Flaka” in daytime; “Curvas Peligrosas”, a nutritionally-focused program that educates Hispanics on healthy lifestyles; “LM Show”, featuring Latino celebrity news and entertainment in the evenings; and play-by-play soccer coverage of the Mexican national team, including coverage of the 2018 World Cup; and

•“Super Estrella”, which primarily targets Hispanic adults 18-49 years of age, airs in three of our markets and features the best Spanish-language contemporary artists.

We also broadcast in Spanish National Football League games, such as Sunday Night Football, the American Football Conference playoffs and Super Bowl LI, for 28 radio stations, including our radio stations as well as other radio stations that we do not own or operate.

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

•In the El Paso market, we program “The Fox”, an English-language format that features classic rock and pop hits from the 1960s through the 1980s and targets primarily adults 25-54 years of age;

•In the McAllen market, we program a Mexican country-style music format that targets primarily Hispanic males 18-49 years of age that includes “El Show de Piolin” in the morning drive;

•Also in the McAllen market, we program two English-language formats, a classic rock-oriented format that targets primarily males 18-49 years of age and a hit-based adult contemporary format targeting primarily women 18-49 years of age;

•In the Orlando market, we program “Salsa 98.1”, a Spanish-language tropical hits format that features salsa, merengue and bachata and targets Hispanic adults 25-54 years of age;

•In the Phoenix, El Paso, Lubbock, Stockton, Houston and Albuquerque markets, we program “ESPN Deportes”, a Spanish-language sports talk format targeting primarily Hispanic adults 18-54 years of age, that is provided to us by a third party pursuant to a network affiliation agreement; and

In the Sacramento market, we program two English-language formats, a rhythmic contemporary hit format targeting primarily females 18-34 years of age and a young country format targeting primarily adults 18-49 years of age. In the Los Angeles market, we program “La Suavecita”, a format that primarily targets females that features a blend of 90’s Grupero and Banda music with some Cumbia/Sonidero.

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Our Radio Station Portfolio

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

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